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China Report

ECONOMIC AFFAIRS



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23 May 1985

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ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

COLLECTIVE ENTERPRISE INCOME TAX REGULATIONS

OW211446 Beijing XINHUA Domestic Service in Chinese 0840 GMT 19 Apr 85

[Text] Beijing, 19 Apr (XINHUA)--On 11 April the State Council promulgated the "Provisional Regulations on Income Tax of Collective Enterprises of the People's Republic of China." The full text of the regulations follows:

Article 1. All collective enterprises engaged in industry, commerce, service trade, construction and installation, communications and transportation, as well as other fields of work with independent accounting systems are units that are obliged to pay collective enterprises' income tax (hereinafter referred to as taxpayers). They shall pay income tax according to the provisions of these regulations.

Article 2. The taxpayer's total income for a tax year after deduction of costs, expenses, and state-permitted deductible expenditures other than tax and operating expenses before income tax shall be the basis for assessment of the collective enterprise's income tax; that is, the taxable income.

Specific calculations of amounts of taxable income shall be performed in accordance with the related provisions of the state.

Article 3. The income tax of collective enterprises shall be assessed and levied according to the "Table of Eight-Grade Progressive Income Tax Rates on Amounts in Excess of Specific Amounts of Taxable Income" attached to these regulations.

Article 4. The following taxpayers may be given tax reductions or exemptions within a certain period or to a certain extent:

- a. Enterprises which are in the early period of operations and certainly have difficulty in paying tax;
- b. Newly established enterprises engaged in fodder production;
- c. Village and town collective enterprises producing or dealing in chemical fertilizers and pesticides or doing repair and assembly work on farm machines and implements--products or work that directly serve agriculture;

d. Enterprises engaged in production by actively using wastes, such as waste liquid, gas, and residue, as principal raw materials;

e. Village and town collective enterprises established in old revolutionary base areas, minority-inhabited areas, border and remote areas, and poor and hard areas with real difficulty in operations;

f. Enterprises with real difficulty in paying tax due to natural disasters or other special reasons; and

g. Other enterprises that require tax reductions or exemptions as approved by the Ministry of Finance.

Article 5. The taxpayers cited in the preceding article may apply to the local tax authorities for reduction or exemption of their income tax.

The authority to examine and approve applications for tax reductions and exemptions shall be delegated and affixed specifically by the Ministry of Finance.

Article 6. The income tax of collective enterprises shall be levied annually and prepaid quarterly or monthly. The final settlement shall be made at the end of the year. Excessive payments shall be refunded by the tax authorities or deficiencies made good by the taxpayers. Specific deadlines for tax payments shall be decided on by the local tax authorities based on the amount of tax to be paid by the taxpayers.

Article 7. The income tax of collective enterprises shall be paid locally to the tax authorities.

Article 8. A taxpayer approved by the industrial and commercial administrative departments to start operations shall, within 30 days after such approval, make tax registration with the local tax authorities by presenting relevant documents of evidence.

Article 9. A taxpayer approved by the industrial and commercial administrative department to close down, merge, or form an association with others; set up branches; undergo reorganization; switch to another line of operations; or move to another place shall, within 30 days of such approval, approach the local tax authorities for a change or cancellation of registration by presenting the relevant documents of evidence and pay all of the tax due.

[OW211448] Article 10. Regardless of the state of his business operations, a taxpayer should submit to local tax authorities the income tax return together with the related financial and accounting statements within 10 days after the end of each quarter or each month, or within 35 days after the end of each year.

Article 11. Local tax authorities have the right to determine the amount of taxes due for taxpayers who have made profits but have failed to file returns and pay taxes.

Article 12. The subscribers must make payments according to the responsibility assigned to them. They must make payments according to the receipts, and other documents, and may not conceal the truth. The subscribers must keep their accounts confidential.

Article 13. Taxpayers must make payments according to the responsibility assigned to them. They must make payments according to the receipts, and other documents, and may not conceal the truth. The subscribers must keep their accounts confidential.

Article 14. Taxpayers must make payments according to the responsibility assigned to them. They must make payments according to the receipts, and other documents, and may not conceal the truth. The subscribers must keep their accounts confidential.

Article 15. The tax authorities must make payments according to the responsibility assigned to them. They must make payments according to the receipts, and other documents, and may not conceal the truth. The subscribers must keep their accounts confidential.

In dealing with the tax authorities, the subscribers must make payments according to the responsibility assigned to them. They must make payments according to the receipts, and other documents, and may not conceal the truth. The subscribers must keep their accounts confidential.

Article 16. In dealing with the tax authorities, the subscribers must make payments according to the responsibility assigned to them. They must make payments according to the receipts, and other documents, and may not conceal the truth. The subscribers must keep their accounts confidential.

Article 17. When dealing with the tax authorities, the subscribers must make payments according to the responsibility assigned to them. They must make payments according to the receipts, and other documents, and may not conceal the truth. The subscribers must keep their accounts confidential.

Article 18. When dealing with the tax authorities, the subscribers must make payments according to the responsibility assigned to them. They must make payments according to the receipts, and other documents, and may not conceal the truth. The subscribers must keep their accounts confidential.

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authorities before applying to higher tax authorities for reconsideration. The higher tax authorities should reply within 30 days after receipt of the application. If the taxpayer does not accept the decision of the higher tax authorities after reconsideration, he may bring a suit in the people's court within 30 days.

[OW211450] Article 20. The power to explain the regulations is vested in the Ministry of Finance, which will formulate detailed procedures for the implementation of the regulations.

Article 21. The regulations shall come into force starting 1985.

Table of Eight-Grade Progressive Income Tax Rates on Amounts in Excess of Specified Amounts of Taxable Income:

Grade	Amount of taxable income (annually)	Tax rate (percentage)	Quick deduction figure (yuan)
1	Less than 1,000 yuan	10	0
2	At least 1,000 yuan but less than 3,500 yuan	20	100
3	At least 3,500 yuan but less than 10,000 yuan	28	300
4	At least 10,000 yuan but less than 25,000 yuan	35	1,000
5	At least 25,000 yuan but less than 50,000 yuan	42	2,800
6	At least 50,000 yuan but less than 100,000 yuan	48	5,800
7	At least 100,000 yuan but less than 200,000 yuan	53	10,800
8	More than 200,000 yuan	55	14,800

The formula for calculating progressive income tax above quota: amount of income tax equals taxable income times appropriate tax rate minus quick deduction figure.

CSO: 4006/574

PROVINCIAL AFFAIRS

SHAANXI ACHIEVES SIXTH 5-YEAR PLAN TARGETS

HK210143 Xian Shaanxi Provincial Service in Mandarin 1130 GMT 20 Apr 85

[Excerpts] Shaanxi has fulfilled a number of main national economic targets set for the Sixth 5-Year Plan 1 year ahead of schedule. An unprecedentedly fine situation has emerged in the province's economy in recent years. Developments in many respects have been better than expected. According to statistics from departments concerned, the province had achieved by the end of last year the Sixth 5-Year Plan targets for total industrial and agricultural output value and national income, and a number of other major targets.

Last year the total industrial and agricultural output value of the province was 22.41 billion yuan, an increase of 41.4 percent over 1980, and exceeding the Sixth 5-Year Plan target by 8 percent. The targets set for output of 32 major products including grain, oil-bearing crops, coal, steel, pig iron, cement, washing machines, and cigarettes had also been fulfilled by the end of last year.

The province's national income last year was 11.17 billion yuan, a rise of 45 percent over 1980 and exceeding the Sixth 5-Year Plan target by 9 percent.

It is expected that most of the targets of the Sixth 5-Year Plan will be fulfilled or overfulfilled by the end of this year.

CSO: 4006/574

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ZHEJIANG'S XUE JU ADDRESSES ECONOMICS MEETING

OW012144 Hangzhou ZHEJIANG RIBAO in Chinese 22 Apr 85 p 1

[Dispatch by Ren Shaobo]

[Text] The third session of the China Society for Studying Productive Forces Economics [sheng chan li jing ji xue -- 3932 3934 0500 4842 3444 1331] opened at Zhejiang University on 21 April. Responsible comrades of provinces and cities, including Xue Ju, Wu Minda, Luo Dong, and Zhong Boxi, attended the meeting to extend congratulations. Governor Xue Ju briefed the delegates to the meeting on Zhejiang's current economic situation.

More than 100 specialists and scholars from all over the country are taking part in the annual academic meeting. The theme of the meeting is "The new technological revolution and productive forces economics." The participants are to discuss topics on distribution of productive forces, production structure, technological structure, river basin economy [liu yu jing ji -- 3177 1008 4842 3444], large-scale economy [gui mo jing ji -- 6016 2875 4842 3444], and the relationship between development trends of the new technological revolution.

CSO: 4006/582

PROVINCIAL AFFAIRS

SOUTHWEST ECONOMIC COORDINATION MEETING OPENS

HK240217 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 24 Apr 85

[Text] The second economic coordination meeting of Sichuan, Yunnan, Guizhou, Guangxi, and Chongqing solemnly opened in the (Yuzhou) Guesthouse in Chongqing yesterday afternoon. Jiang Minkuan, Sichuan vice governor, He Zhiqiang, Yunnan vice governor, Zhu Houze, Guizhou Provincial CPC Committee secretary, Wang Zhu-guang, Guangxi government vice chairman, and Yu Hanqing, Chongqing mayor, attended the meeting with their delegations. Also present, providing guidance, were responsible comrades of departments and commissions concerned of the CPC Central Committee and State Council and the Third-Line Construction Readjustment Office [sanxian jianshe tiaozheng bangongshi]. Wang Guangying, member of the CPPCC and director of the Ever Bright Company in Hong Kong, specially came to Chongqing for the meeting. Also present were a number of experts and scholars including (Zeng Jiafu), Tong Dalin, Li Wenhua, (Chen Hong), and He Huasheng. Representatives from Hunan, Shanghai, Tianjin, Guangzhou, and Wuhan were also invited.

Chongqing is acting as chairman of this meeting. Wang Qian, former secretary of the Chongqing City CPC Committee, presided and delivered the opening speech, in which he warmly welcomed the participants. Comrade Zhu Houze, chairman of the previous meeting, made a speech on economic coordination since that meeting. Chongqing City CPC Committee Secretary Liao Bokang made a speech on developing the Great Southwest.

The meeting will sum up the achievements since the first meeting, and discuss common policies and measures for invigorating the economy, so as to further stimulate economic development in the region.

CSO: 4006/574

PROVINCIAL AFFAIRS

FUJIAN'S XIANG NAN ON PACE OF CONSTRUCTION

OW022100 Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 30 Apr 85

[Text] Comrade Xiang Nan, deputy to the Fujian Provincial People's Congress and first secretary of the provincial party committee, joined the discussion organized by the Longyan prefectural delegation on the morning of 29 April. At the discussion meeting he emphatically noted: Whatever we do, we must seek truth from facts. Comrade Xiang Nan said: We have all received education in Marxism. We must have a realistic spirit. Whenever you hear the wind blow, do not conclude that the rain will soon fall. West Fujian is an old revolutionary base. It is a mountain region where different dialects are spoken. The situations in all counties in west Fujian are also different. To promote construction, they must do what they are capable of. To build villages with farm machinery and electric power, villagers will rely primarily on their own efforts. As for building roads and running schools, they can do something each year. If they want to finish in 1 year what can only be finished in several years, they are not seeking truth from facts.

Comrade Xiang Nan said: To push industry forward, West Fujian first must firmly grasp (?chemical) industry, and second, develop township industry well. These enterprises can raise funds and seek markets and raw material all by themselves. Everyone may take up the matter by himself.

Comrade Xiang Nan said: To readjust the agricultural structure, we must also firmly grasp grain production. It is necessary to improve the breed of cows in West Fujian to develop milk production and increase incomes. It is necessary to develop forest products through multi-purpose utilization. It is necessary to make furniture, toys, and building materials in accordance with market demands. If West Fujian develops all these trades, it will mean considerable incomes.

CSO: 4006/582

ECONOMIC DEVELOPMENT ZONES

PATTERNS, FUNCTIONS OF ECONOMIC DEVELOPMENT ZONES DISCUSSED

Beijing GUOJI MAOYI WNETI [INTERNATIONAL TRADE JOURNAL] In Chinese No 6,
Nov-Dec 84 pp 16-21

[Article by Hu Jun [5170 6511] and Zhang Bingshen [1728 3521 3947] of the College of Economics and Jinan University: "Tentative Exploration of the Problem of Economic Development Zones"]

[Excerpts] The setting up of economic development zones [EDZ] in coastal cities has been another major strategic measure of the CPC Central Committee since China established the special economic zones [SEZ]. What actual objective basis is there for setting up EDZ'S? What functions and patterns should they have? How can they be managed well? These questions must all be thoroughly studied and explored. This article will make a tentative exploration of these questions.

II. Development Patterns and Functions of Economic and Technical Development Zones

It will be very important to do a good job of setting up development zones and correctly determining the development patterns of economic and technical development zones. In determining development patterns, everything should conform to proceeding from actual conditions, and all conditions and restricting factors in development zone sites should be determined on the basis of comprehensive analyses and proofs of feasibility.

China is a nation of very imbalanced economic, technical and cultural development. From east to west and south to north, it essentially has a ladder-type development. The 14 coastal cities are basically distributed in a zone on the southeast coast which is the quintessential location of China's economic development. But the degree of economic maturity and the scientific, technical, cultural and educational standards of all of the cities are quite different. There are political, economic, cultural, scientific and technical centers like Shanghai and Guangzhou and also certain developing industrial cities. These cities are each different in their ability to attract, digest and create technology. Since their degrees of economic development are different, their technical needs are also different. In order to manage their economic and technical development zones well, these cities must first handle well the interrelationships between developing and

traditional industries and technology.

Traditional industries refer to those that are fund-and labor-intensive. They constitute an industrial complex which has gradually developed since the industrial revolution and includes industries and departments such as machinery, metallurgy, coal, electric power, chemicals, automobiles and railways. These industries and departments are reaching the saturation point in developed countries, and funds and technology are increasingly being transferred abroad.

Developing industries are an industrial complex of five closely related industries which use high technology and are knowledge-and technology-intensive: the electronic computer industry, the optical fiber communications industry, the biological engineering industry, the maritime development industry and the space flight industry.

Traditional technology refers mainly to mechanized, semi-mechanized and manual production technology, i.e., what is usually spoken of as advanced, intermediate and primary technology. Advanced technology is fully mechanized production technology and belongs to the capital-intensive form of technology; primary technology is manual technology and belongs to the labor-intensive form of technology; intermediate technology is situated between them.

Developing technology refers mainly to the knowledge-and technology-intensive forms of production technology and is also fully automated production technology. Its major characteristic is that its production process is controlled by computers and its distinctive features are that it requires a large software investment and creates a high added value.

The development patterns of coastal city economic and technical development zones should be determined on the basis of their ability to attract and digest technology and on their possibility and necessity to create developing industries and transform traditional ones. There are the following specific development patterns:

1. Based on the relationship between imported technology and existing industries located in their areas, they can be divided into infiltration and supplementary types of development zones.

Infiltration development zones are those that transform traditional industries in the cities in which they are located through importing certain developing technology with a strong permeability. Microelectronic technology, for instance, is a quite mature and strongly permeable technology. It can outfit and renew old equipment and technology, realize production automation, improve product quality, reduce consumption of energy and raw and processed materials and accelerate product renewal and exchange. Supplementary development zones are those that remedy the deficiencies of traditional industries in the cities in which they are located through importing certain traditional industries transformed through developing technology. Difficulties facing certain cities such as energy, communication and transportation shortages greatly restrict economic and production development and can thus be solved

such as tourism, harbor construction, the warehouse industry and commerce. Single project development zones basically stress a single development project such as the development of industrial projects.

5. Based on the orientation of development zone product sales, they can be divided into domestic and foreign development zones.

Domestic development zones produce a definite proportion of their products for the domestic market and practice "import substitution." Some or most microelectronics products can be sold on the domestic market to accelerate the transformation of traditional industries and satisfy domestic market needs. Foreign development zone products are mainly exported for the international market.

The above breakdown of economic and technical development zones is not absolute, and some development zones can be a combination of types such as scientific research, developing technology and infiltration. The goal of this division is to facilitate choices when implementing development policy decisions.

Economic development zones have their specific development patterns and also their general functions. Correctly understanding the functions of development zones is equally important for managing them well. Development zones should have the following functions:

First, the function of comprehensively studying development:

Comprehensively studying the development of new technology and enabling it to be promptly transformed into actual productive forces is the chief function of development zones. When executing this function, development zones should stress applied and development research. Scientific research is a huge and organic system consisting of basic, applied and development research. Basic research essentially belongs to the field of pure theoretical research. Applied research is directly solving actual scientific and technical problems raised by the national economy and is generally an experimental stage of creating and developing new products, varieties, techniques, methods and technological processes; development research is the laboratory stage of further extending research results and engages in intermediate factory experiments, finalization of design, small-scale production or major farm experiments in order to get involved in the whole production process and enable potential scientific productive forces to be eventually turned into social productive forces. Development zones stress applied and development research and are based on the following two facts: the first is that "seminal" technology stemming directly from scientific discoveries is now decreasing and new technology formed from the systematic combination of known scientific principles and old technology and which is completely different from existing technology is increasing; the second is that the time needed for these two types of research is relatively short, goods are produced quickly and this is more suitable to the characteristics and roles of development zones.

Second, the function of digesting, assimilating and popularizing imported technology:

By digesting and assimilating advanced foreign technology imported to development zones and turning it into our own technology and on this basis, creating and popularizing it, improves our scientific and technical standards and expands the preparation of new technology. Technology imports can be divided into three types: type I is material imports, i.e. imported machinery and equipment. Type II is design imports. Technology is mainly imported through key design factors (design blueprints) and data. Importing this technology improves our ability to produce goods formerly imported. Type III is capability imports; i.e. scientific knowledge and technical experience. This is favorable to establishing the industrial technology development capability of the technology-importing country. Conforming to these, development zones have two administrative levels for executing this function, i.e. the first and major level of reproducing and copying the type I, and carrying out research on converting types II and III into goods; the second level is actually included in the first function.

Third, the function of collecting and distributing information:

When executing this function, development zones play two roles, "collecting" i.e. through all channels and methods and following recent world scientific and technical trends, extensively collecting all economic and technical information to serve the establishment of development zones and the economic development of the cities in which they are located. The second is the "distributing" role, i.e. processing and arranging all collected information and spreading all information produced by development zones to the cities in which they are located and to the interior, enabling development zones to become domestic windows from which to observe world scientific, technical and economic trends. In order to realize this function, development zones must do a good job of organizing strong intelligence network channels and of collecting, analyzing, storing, transmitting and checking all intelligence, data and material. They should play a role in areas such as giving service to documents and data, publishing scientific and technical publications, editing special intelligence data, organizing intelligence network activities, organizing technical exchange activities and compiling intelligence transfer research reports.

Fourth, the function of training qualified personnel:

Through the establishment of development zones and cooperative research, production and development with foreign enterprises and experts, this function is to train and create a large group of qualified economic managers, scientists and technicians, and technical workers. In order to realize this function, the first need is to concentrate in advance qualified personnel with knowledge and technical abilities in all fields, and the second is for development zone personnel to carry out a rotating circulation system in order to achieve this goal.

AGGREGATE ECONOMIC DATA

SHANDONG COMMUNIQUE ON ECONOMIC, SOCIAL DEVELOPMENT

SK230202 Jinan DAZHONG BUREAU (to HJAC) 1 207 81 p 2

[Communique issued by the Shandong Provincial Statistical Bureau on the 1984 national economic and social development--data not shown]

[Text] In 1984, under the leadership of the CPC Central Committee, the State Council, and the provincial CPC Committee and government, the people of our province conscientiously carried out the policy of reforming the domestic economy and opening to the outside world, faithfully followed the call of the provincial CPC Committee for "consolidating the gains, upholding the courage to reform, prefulfilling the 1-4-4-2 increasing target, and making the people rich and the Shandong Province prosperous," accelerated reform of the economic structure, and scored new achievements in the national economic and social development. According to preliminary statistics, the total product of society of the year came to 91.22 billion yuan, 7.5 percent higher than in 1983. Of the sum, the total industrial and agricultural output value was 77.28 billion yuan, 16 percent above the previous year. National income reached 10.38 billion yuan, up 16.5 percent from 1983. By national income, the total industrial and agricultural output value, and the output of grain, cotton, peanuts, flue-cured tobacco, animal products, and various industrial products prefulfilled the targets set in the fourth 5-year plan. Along with the growth of industrial and agricultural production, urban and rural markets were brisk, the people's living standards continued to rise, and new progress was made in building the socialist spiritual civilization. The major problems in national economic development continued to be prominent in the supply of power, coal and some raw materials; the rapid growth of consumption funds; the failure in producing consumer goods to meet the demand for changes in markets; too big investments in fixed assets; and overvalued prices of the new commodities.

1. Agriculture

In 1984, the economic reform in rural areas continued to take effect in the province. The output-related contract responsibility system (a household production) was improved continuously. Following the 1983-1984 winter sowing season, various kinds of specialized households and economic associations continued to emerge. By the end of the year, specialized households totaled 47,000, amounting to 2.1 percent of the total households. Specialized economic associations reached 27,000, amounting to 0.1 percent of the total households. The

rate of agricultural products sold as commodities in 1984 reached 56.4 percent. An overall bumper harvest was reaped in agricultural production.

The province's 1984 agricultural output value was 31.66 billion yuan, 21.8 percent over the annual quota and 21.4 percent over 1983. If the industrial output value produced by village (brigade) enterprises is deducted from this sum, the figure is 26.66 billion yuan, still a 19.1-percent increase over 1983. Of the total sum, crop cultivation brought in 20.82 billion yuan, an increase of 18.5 percent over 1983; forestry produced 570 million yuan, an increase of 12.3 percent; animal husbandry yielded 3.76 billion yuan, an increase of 19.7 percent; sideline production brought in 5.85 billion yuan, an increase of 37.1 percent; and fishing produced 660 million yuan, an increase of 12.6 percent.

Agriculture and crop cultivation were further restructured. Areas sown to grain crops increased by 0.5 percent over the previous year, and the areas sown to cash crops increased by 10.5 percent. Grain output exceeded the annual quota by 21.6 percent, cotton output by 91.7 percent, peanut output by 22 percent, and the output of flue-cured tobacco by 13.6 percent.

[SK230239] The output of major farm products was as follows:

Item	1984	Increase over 1983 (percent)
Grain	60.8 billion jin	12.6
of which:		
Rice	1.15 billion jin	-3.1
Wheat	25.57 billion jin	6.5
Sweet potato	10.56 billion jin	13.1
Soybean	1.25 million dan	-3.5
Cotton	34.5 million dan	40.8
Oil-bearing crops	36.39 million dan	19.7
of which:		
Peanuts	36 million dan	20.2
Sesame	309,000 dan	49.4
Beets	1.049 million dan	4.3
Silkworm cocoons	264,000 dan	8.2
Tea	16,000 dan	131.8

The production responsibility system in forestry was further implemented in the province in 1984. Afforested areas in the province increased on the basis of the substantial increase in 1983. Afforested areas totaled 2.037 million mu, a 32.9-percent increase over 1983. The output of major forestry products also increased at varying rates.

The output of most livestock products increased. The output of pork, beef and mutton reached 2.09 billion jin, a 10.4-percent increase over 1983; that of milk increased by 31 percent; and that of eggs and poultry by 51 percent.

Output of major animal by-products and numbers of livestock are as follows:

Item	1984	Increase over 1983 (percent)
Output of pork, beef and mutton	2.09 billion jin	10.4
Milk	50.55 million jin	31.5
Sheep wool and goat hair	16.635 million jin	-19.3
Hogs slaughtered	12.840 million head	10.8
Large animals at year end	4.031 million head	5.5
Pigs at year end	16.815 million head	7.6
Sheeps and goats at year end	7.539 million head	-16.4

Fish production continued to grow. The 1984 annual output of aquatic products was 755,000 tons, an 11.8-percent increase over 1983. The total catch of fresh-water products increased by 18.5 percent, while marine production rose by 11.3 percent.

After the transmission of the 1984 Document No 1 of the CPC Central Committee, the initiative of peasants was enhanced as never before, investment in production increased steadily, and conditions for agricultural production continued to improve. At the end of 1984, the aggregate power capacity of the province's farm machines had reached 28.661 million horsepower, a 10.4-percent increase over 1983. The number of large- and medium-sized tractors was 136,000, a 0.8-percent increase over 1983; small-capacity and hand-guided tractors, 199,000, a 25.2-percent increase; trucks for agricultural use, 27,000, a 31.7-percent increase; and irrigation and drainage equipment, 12.931 million horsepower, a 6.9-percent increase. A total of 1.895 million tons of chemical fertilizers were applied during the year, an increase of 4.8 percent over 1983. The total consumption of electricity in rural areas was 3.84 billion kWh, a 5.2-percent increase over 1983. Management of water conservation projects improved, and farmers were better able to stave off drought and drain waterlogged fields. At the end of 1984, the effective areas irrigated with water conservation projects reached 68.323 million mu, a 0.4-percent increase over 1983. Fields irrigated with electric-pumping projects increased by 6.9 percent.

In 1984, the province's meteorologists improved their weather forecast work and intensified scientific research, making a positive contribution to agricultural production and production in other fields.

At present, the province's agricultural development is still uneven. The development of forestry, animal husbandry and fishery is slow, the supply of livestock and aquatic products is insufficient, and the agricultural structure needs further readjustment.

[SK230726] 2. Industry

Our province achieved fairly rapid progress in industrial production in 1984 in the course of reforming the economic structure, and basically achieved simultaneous increases in economic results and the rate of growth. The total yearly industrial output value reached 45.62 billion yuan, topping the annual plan by 8.6 percent and showing an increase of 12.5 percent over the previous year. With the output value of village- and brigade-run industrial units, the total industrial output value reached 50.62 billion yuan, up 14.4 percent over the previous year. Of the total industrial output value, the output value turned out by state-owned industrial units increased 11.6 percent over the previous year, and that turned out by collectively-owned units increased 14.3 percent.

The output of 80 of the 100 major industrial products met or topped the state plans. They include raw coal, crude oil, power, steel, finished rolled steel, pig iron, chemical fertilizer, tractors, small tractors, machine tools, cement, caustic soda, woolen piece goods, beer, cigarettes, television sets, and cassette recorders.

Light industry, which continued to implement the principle of giving priority to the six spheres, continued to increase marketable and quality brand-name products in 1984. The annual output value reached 25.06 billion yuan, topping the annual plan by 8 percent and showing an increase of 11.6 percent over the previous year. Of this, the output value of the paper industry increased 15.4 percent, and that of the textile industry, 14.1 percent.

The output of major light industrial products follows:

Item	1984	Percentage increase over 1983
Cotton yarn	266,000 tons	-1.1
Cotton cloth	1.08 billion meters	-14
of which:		
Chemical fabrics	110 million meters	32.5
Chemical fibers	11,000 tons	37.5
Woolen piece goods	9.645 million meters	42.8
Silk fabrics	49.476 million meters	3.1
Machine-made paper board	475,000 tons	11.8
Beer	207,000 tons	33.5
Raw salt	2.012 million tons	-8.7
Chemical pharmaceuticals	51.689 million tons	13.1
Detergents	47,000 tons	-17.5
Lightbulbs	63.954 million	8.1
Bicycles	2.248 million	-3.5
Sewing machines	415,000	-16.5
Watches	2.863 million	4.2
Television sets	252,000	81.3
Radios	385,000	-41.6
Cassette recorders	161,000	76.9
Cameras	13,000	30
Household washing machines	220,000	76

We further readjusted the service orientation of heavy industry and allowed it to play a positive role in insuring the construction of support facilities for construction of support facilities for the state key projects and in supporting agriculture. The output value of heavy industry in 1984 was 20.56 billion yuan, topping the annual plan by 9.4 percent and showing an increase of 13.6 percent over the previous year. Of this, the output value of the petroleum industry increased 17.1 percent; that of the chemical fertilizer industry, 3.4 percent; that of the machinery industry, 16.2 percent; that of the chemical industry, 13.2 percent; and that of the building materials industry, 14.2 percent.

[SK230732] The output of major heavy industrial products was as follows:

Item	1984	Percentage increase over 1983
Raw coal	45.625 million tons	4.0
Crude oil	23.018 million tons	25.3
Natural gas	1.11 billion cubic meters	5.7
Electricity	23.64 billion kWh	8.3
Pig iron	1.399 million tons	8.3
Steel	1.100 million tons	10.3
Rolled steel	889,000 tons	9.3
Coke (machine made)	1.362 million tons	9.2
Cement	9.230 million tons	13.6
Plate glass	2.442 million standard cases	-13.0
Sulphuric acid	438,000 tons	-18.7
Soda ash	238,000 tons	7.7
Caustic soda	143,000 tons	8.3
Chemical fertilizers	1.140 million tons	1.8
of which:		
Nitrogenous fertilizer	1.007 million tons	8.0
Chemical insecticides	25,000 tons	4.2
Plastics	21,000 tons	16.7
Polyvinyl chloride	16,000 tons	14.3
Outer rubber tires	2.307 million	37.5
Inner rubber tires	2.412 million	37.7
Mining equipment	9,466.5 tons	29.9
Power-generating equipment	200,000 kW	17.5
Machine tools	8,286	15.8
Tractors (above 20 horsepower)	7,709	49.7
Small tractors	87,000	45.1
Internal-combustion engine (sold as commodities)	4.052 million horsepower	31.3
Locomotives	31	14.8
Steel ships for civilian use	16,000 tons	14.3

Further efforts were made to strengthen the development of new products in order to suit the needs of domestic and foreign markets and restructured consumption. Over 1,000 new products were successfully manufactured in the year. Of this, 84 filled in gaps in the country. The quality of major industrial products steadily improved by 85 percent. A total of 175 products in the province were awarded quality prizes by the ministry and 570 products were awarded quality

The capital construction investment helped add the following major production capacities: 180,000 tons of coal, 590,000 tons of crude oil, 700 tons of chemical insecticides, 509 km of power transmission line, 7,000 tons of beer, 212.8 km of new double-track railways, 23 commercial and catering service networks covering an area of 32,000 square meters, and 33,000 seats for college, primary, and middle school students.

A total of 2,001 capital construction projects were under construction. Of this, 1,268 were newly started projects. Thanks to the extension of the capital construction front, the supply of building materials, such as rolled steel and cement, was fairly strained.

Headway was made in the technical transformation of existing enterprises, thus further promoting technical progress. State-owned enterprises in 1984 made use of a total investment of 3.35 billion yuan in equipment replacement and technical updating, up 37.8 percent over the previous year. Of this, investment in energy conservation projects and in expanding the production of raw materials increased 59.3 percent, and that in increasing production and the variety of products and in raising the quality of products rose by 70.3 percent.

In the building industry, we promoted various forms of the investment contract system, quickened the tempo of construction, and achieved better economic results. Total output value of the building industry in 1984 was 2.31 billion yuan, up 45.3 percent over the previous year. Of this, the output value of state-owned building material enterprises reached 1.63 billion yuan, up 56.7 percent over the previous year. Per-capita productivity reached 7,812 yuan, up 26.4 percent over the previous year. The rate of completed quality housing projects was 80 percent, up 3.5 percent over the previous year. At present, about 82.6 percent of the province's construction enterprises have implemented the various forms of contract responsibility systems, 89.5 percent of which were state-owned enterprises. This effectively improved the quality of projects and reduced the cost of projects.

Geological surveying work registered remarkable achievements in 1984. More than 30 mines worth tapping were found during the year. The annual plans of 11 major newly verified reserves were overfulfilled. The tunneling footage completed by provincial geological enterprises totaled 398,000 meters, up 10 percent over the previous year.

[SK230744] 4. Transportation, Posts and Telecommunications

The transportation industry adopted various measures to raise its shipping capacity, resulting in a considerable increase in the volume of freight and number of passengers carried in 1984. The railways in the province handled 32.25 billion ton-kilometers of goods, up 7.4 percent over 1983; the road transportation departments handled 8.72 billion ton-kilometers of goods, up 8.6 percent over 1983; and the major coastal ports handled 39.41 million tons of goods, up 6.1 percent over 1983.

In 1984, the situation in passenger transportation was good. The railways carried 10.62 billion person-kilometers, up 18.6 percent over 1983. The volume of road passenger transportation was 6.44 billion person-kilometers, up 21.9 percent over 1983.

During the structural reform, rural and urban transportation business and individually-run transportation business vigorously developed. In terms of road transportation, the number of trucks for civil use was 127,000, up 12.5 percent over 1983, of which 30.3 percent were owned by rural specialized households. In terms of water transport, the province's individual and cooperative transportation companies owned 60,000 tons of vessel capacity.

The post and telecommunications service developed rapidly. Transactions throughout the province in 1984 amounted to 140 million yuan, up 9.8 percent over 1983. The number of letters handled went up 8.7 percent, newspapers and magazines distributed went up 39 percent; and long-distance telephone calls were up 9.7 percent. The year-end number of telephone subscribers in the province reached 107,000, up 13.8 percent over 1983.

Economic results improved somewhat in the transportation and posts and telecommunications departments. Per-capita productivity for railway transportation was up 6.5 percent over 1983. The average productivity of each locomotive rose 3.8 percent. Steam locomotive fuel consumption per 10,000 ton-kilometer went down 16.6 percent, and diesel locomotive fuel consumption per 10,000 ton-kilometer went down 5.8 percent. The average annual productivity per ton of ships under the administration of water transportation enterprises was 1.5 percent more than in the preceding year. Post and telecommunications enterprises saw their income increase by 20.8 percent over 1983, and their profits by 15.4 percent. Nonetheless, the transportation capacity still cannot meet the demand of the developing national economy, the pressure on railway freight and passenger transport is still very serious, and the rate of traffic accidents in urban and rural areas is still relatively high.

5. Domestic Trade

With the development of industrial and agricultural production, urban and rural purchases increased remarkably. The supply of market commodities was ample, buying and selling of commodities were brisk, and the urban and rural markets were invigorated to an extent unknown in the years since the founding of the PRC. In 1984, the total volume of commodities purchased by state commercial departments and supply and marketing cooperatives was 24.46 billion yuan, up 4.5 percent over the previous year. Of this, the purchased volume of industrial products was 12.65 billion yuan, a 5.6-percent increase; and that of agricultural by-products, 11.68 billion yuan, a 3.2-percent increase. The purchased volume of major agricultural by-products increased over the previous year. The purchased volume of grain was 14.9 billion jin, up 4.9 percent; that of cotton, 29.02 million dan, an 18.1-percent increase; and that of edible vegetable oil, 690 million jin, a 3.7-percent increase.

Supply and market commodities increased constantly, and the retail sales of commodities increased by a large margin. In 1984, the total retail sales

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1SK2307491 Initial achievements in the structure of the commercial, catering, and other trades in 1955. The province had established 1,100 commercial enterprises, 100,000 retail enterprises, 10,000 catering enterprises, and 10,000 other trades, leased out, or given a free use of 10,000 enterprises, and turned over to collective ownership 10,000 enterprises. The total amount of retail sales in 1955 was 10,000 million yuan, the total amount of the retail sales of the enterprises, 10,000 million yuan, that of the collective ownership enterprises, 10,000 million yuan, and that of the rural trade enterprises, 10,000 million yuan. The province's urban and rural trade enterprises in 1955 increased by 19.5 percent over the previous year. Of the 1955-1956 period, the province's urban and rural trade enterprises went up 19.5 percent. The province's urban and rural trade enterprises generally. In 1955, the province's urban and rural trade enterprises increased by 15.2 percent over the previous year; and the province's urban and rural trade enterprises, 15.2 percent. In 1955, the province's urban and rural trade enterprises, 15.2 percent. In 1955, the province's urban and rural trade enterprises, 15.2 percent.

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6. Foreign Trade and Tourism

The year 1984 saw considerable growth in the province's foreign trade. The total import and export volume reached \$2.42 billion, up 26 percent over the previous year. Of this, exports totaled \$2.29 billion, up 26.6 percent over the previous year; imports totaled \$130 million, up 17.1 percent. Of the export commodities, chemical industrial products, increased 62.4 percent, accounting for 47.3 percent of the total; textile products increased 29.1 percent, accounting for 13.6 percent of the total; hardware and mining products increased 17.9 percent; and cereal oil increased 21.5 percent. Exports of foodstuffs, native products, animal by-products, and handicrafts dropped slightly.

Foreign funds actually used by the province in 1984 increased 2.3 times over the previous year. Of this, loans increased 4.5 times over the previous year and direct foreign investment increased 59.8 percent.

The tourist industry developed steadily. Some 47,000 visitors from foreign countries, Hong Kong, Macao and other regions came to the province on tours and visits and for various kinds of exchanges, an increase of 27 percent over the previous year. Among them, 33,000 were foreigners, up 26 percent over the previous year; and 14,000 were overseas Chinese, and compatriots from Hong Kong and Macao, an increase of 27.3 percent. Foreign exchange earned through tourism during the year was 14.32 million yuan of Renminbi, an increase of 25.7 percent over the previous year.

[SK230754] 7. Science, Education and Culture

In 1984, our province geared scientific and technological work to the needs of economic construction and attained new achievements. Some 997 key scientific and technological research findings were achieved, an increase of 2.1 percent over the previous year. The province completed 54 key joint research projects during the year.

Through readjustment and reform in 1984, educational undertakings quickened the pace of investment in intellectual resources and in training competent personnel. Institutions of higher learning enrolled 407 postgraduates, 109 more than in the previous year. There were 1,054 postgraduates studying in the province, an increase of 417 more than in the previous year. Universities and colleges enrolled 25,000 students in 1984, 5,000 more than in the previous year. These schools had a total student body of 66,000, 11,000 more than in the previous year, thereby overfulfilling even the enrollment and student body quotas stipulated in the Sixth 5-Year Plan. Some 14,000 students graduated from these institutions, 3,000 fewer than the previous year. Adult education developed greatly. The total student body of adult higher educational institutions in 1984 reached 58,000, 2,000 more than in the previous year. Last year, 7,000 students graduated from these schools, 4,000 graduates fewer than the previous year.

Restructuring continued in secondary education. The number of regular senior middle school students was 432,000, 61,000 more than in the previous year.

The number of regular senior middle school students was 2.912 million, 129,000 more than in the previous year. Secondary specialized schools had 84,000 students, up 7,000 over the previous year. Agricultural middle schools and vocational middle schools had 161,000 students, 35,000 more than in the previous year. The proportion of secondary specialized vocational school students in the student body of secondary schools rose from 6.1 percent in the previous year to 6.8 percent. There were 9.275 million primary school students, 188,000 students fewer than in the previous year. Considerable headway was made in developing nurseries. There were 1.337 million children studying the kindergartens, 260,000 more than in the previous year.

The cultural, press, publication, broadcast, and TV departments played an active role in reflecting social construction achievements and in promoting the building of socialist spiritual civilization. Last year, 12 TV plays with a total of 62 series were shot, and 177 new full-length films were released. The province had 11,000 cinemas and film projection teams, 159 performing art troupes, 142 cultural halls, 12 galleries, 19 museums, and 92 public libraries with a total of 14.449 million books. There were 7 radio stations, 27 radio transmitting and relay stations, 4 television stations, and 19 television transmitting and relay stations. About 68 percent of the population was able to receive radio and TV broadcast. Some 590 million copies of newspapers were published in 1984, an increase of 44 percent over the previous year; and 38.19 million copies of various kinds of magazines and 1.05 billion books were published, an increase of 27.3 percent and 6.1 percent respectively.

8. Public Health and Sports

New progress was made in public health undertakings. The number of hospitals, sanatoriums, outpatient clinics, specialized disease prevention and cure stations, and various health units reached 9,972 with 198,000 professional health workers, an increase of 2.6 percent over the previous year. Among them, 5,000 were doctors of Chinese medicine, 38,000 were doctors of Western medicine, 25,000 physicians in Western medicine, and 38,000 senior nurses and nurses. There were 128,000 hospital beds, an increase of 4.9 percent over the previous year. The quality of medical service improved and new progress was made in the patriotic public health campaign and in disease prevention and curing work. Fairly great improvements were made in improving the urban and rural environment.

Sports made further headway. In 1984, our province's athletes won 35 gold medals, 37 silver medals, 23 bronze medals in competitions at home and abroad, the best year of sports achievements. Mass sports activities developed vigorously. The province as a whole held 1,554 sports meets with 402,000 sportsmen attending. About 2.492 million people met the requirements prescribed by the "State Standards for Physical Culture and Sports Training," an increase of 59.2 percent over the previous year.

[SK230758] 9. People's Livelihood

On the basis of sustained developments in production, the people's livelihood further improved. A sample survey of 1,558 peasant households in 26 counties

showed that in 1984 the per capita net income of peasants was 404.2 yuan, an increase of 9.9 percent over the previous year. Of this, the proportion of peasant households whose per capita net income was above 500 yuan rose from 20.2 percent in the previous year to 24.3 percent. Per capita living expenses reached 287.2 yuan, an increase of 8.6 percent. According to a sample survey of 430 worker and staff households in 6 cities in 1984, the average annual per capita income of 599.4 yuan was used for living expenses, an increase of 19.7 percent over the previous year. Even allowing for the rise in the cost of living, the real wages for workers and staff rose by 17.6 percent.

In 1984, jobs were given to 151,000 people in urban areas. The number of staff members and workers at the year end reached 5.971 million, an increase of 264,000 over the previous year. Self-employed workers in cities and towns totaled 67,000, an increase of 31,000 over the same period of 1983.

The average annual cash wage for workers and staff was 986 yuan, an increase of 25 percent, thanks to enterprises and units readjusting wages and bonuses and increasing wages paid for above-quota piece work. Considering the rise in the cost of living index, real wages increased by 23 percent.

At the end of 1984, savings deposits of residents reached 10.1 billion yuan, an increase of 38.7 percent over the corresponding 1983 period. Of this, the rural savings deposits increased by 40.1 percent.

Continued improvements were made in urban and rural people's living conditions. In 1984, housing projects completed by state units reached 2.7 million square meters, an increase of 18.2 percent over the previous year.

Along with the economic developments, improvements were made in support for the widowed, aged, disabled, and orphaned whose livelihood was not assured. A total of 191,000 such people were supported by rural collectives. Homes for the aged in rural areas reached 1,942, an increase of 46.4 percent over the previous year, housing 16,000 aged people, an increase of 73.9 percent over the previous year. The number of social welfare institutes and children's welfare institutes in cities and towns reached 21, taking care of 2,100 people and showing an increase of 5 percent.

10. Population

The total population at the end of 1984 was 76.371 million, an increase of 735,000 more than the previous year's figure of 75.636 million.

According to a sample survey of 33,043 people of 640 production teams (residence groups) in 20 counties and cities (districts), in 1984 the birth rate was 13.80 per thousand, the mortality rate 6.03 per thousand, and the natural growth rate 7.77 per thousand.

AGGREGATE ECONOMIC DATA

HEILONGJIANG: ECONOMIC DEVELOPMENT GOOD IN FIRST QUARTER

SK010358 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 30 Apr 85

[Text] The 1 May issue of HEILONGJIANG RIBAO frontpages news on the stable development of the provincial economy. According to the latest statistics by the Provincial Statistical Bureau, in the first quarter of this year, provincial industrial production registered a stable increase, the urban and rural markets were brisk, revenue exceeded expenditure, workers' wages [words indistinct], and the industrial production increased at a stable speed. In the first quarter, the total provincial industrial output value was 8.143 billion yuan, a 10.5-percent increase over the corresponding 1984 period. Sharp increases were made in output of some light and textile industrial products which had a ready market, and in output of mechanical and electrical products which were in short supply. Marked improvements were made in economic results. Profits and taxes increased by a margin larger than output value. Markets were brisk and prosperous, and commodity purchases and sales flourished. In the first quarter, the total volume of commodities purchased by all state-run commercial departments and supply and marketing cooperatives in the province was 2.2 billion yuan, a 12.8-percent increase over the corresponding 1984 period. Substantial increases were made in the sales volume of grain, edible vegetable oil, hogs, pork, sugar, cigarette, cotton cloth, woollen piece goods, silk, satin, undershirts, rubber overshoes, sewing machines, wrist watches, and television sets.

Revenue surpassed expenditure, and the withdrawal of currency from circulation increased. The total revenue of the local budgetary enterprises was 929 million yuan, a 96-percent increase over the corresponding period last year, and a 28.4-percent increase when incomparable factors are deducted. In the first quarter, the total cash income of banks increased by 34.5 percent over the corresponding 1984 period, and their cash expenditure increased by 31.5 percent. Accounts showed a favorable balance of 301 million yuan, 185 million yuan more than the corresponding 1984 period and a 160-percent increase.

Wages of workers and staff members increased, and labor productivity improved. The per-capita productivity of state industrial enterprises increased by 8.8 percent over the corresponding period last year.

CSO: 4006/582

AGGREGATE ECONOMIC DATA

PRC JOURNAL ON RURAL MIGRATION, ECONOMIC DEVELOPMENT

HK210854 Beijing JINGJI YANJIU in Chinese No 2, 20 Feb 85 pp 16-21

[Article by Wang Xiangming [3769 0686 2494]: "Shifting of Surplus Rural Population and Economic Development"]

[Text] In the course of industrial and agricultural modernization, a big shift of rural population to cities and towns has been something experienced by all industrialized countries. In this large socialist country of ours which has a huge population and an extremely large proportion of rural population, the realization of modernization cannot avoid this course of events, but this population shift will have our country's special characteristics. This article will stress studying the special road taken in shifting the surplus rural population of our country and its role in economic development.

I. Growth of Surplus Rural Population

Over the past 30 years and more, there has been an appreciable growth in population and labor power in our countryside. From 1949 to 1983, the rural population increased from 484.02 million to 783.69 million, averaging an annual growth of 1.4 percent; available labor power grew from 237 million to 447.47 million, averaging annual growth of 1.9 percent; employed labor power grew from 165.49 million to 342.58 million, averaging an annual growth of 2.1 percent. The speed of the growth in rural labor power has surpassed that of the population. The principal reason for this is that since the middle of the 1970's the growth speed of the rural population has appreciably declined while, because of the effects of the two past upsurges in the birth rate, labor power could not fall correspondingly. Seen in different periods, the rural population and rural labor power have shown different growth rates and the proportion of labor power in the rural population has shown a rising trend, as shown in the following table.

Rural Population Figures and Changes in Labor Power

Year	Rural population (10,000)	Available labor power (10,000)	Employed labor power (10,000)	Ratio of available power to rural population (percent)	Ratio of employed labor power rural population (percent)
1949	48,402	23,700	16,549	49.0	34.2
1953	50,970	29,983	18,610	49.8	36.5
1964	56,412	34,144	22,908	47.2	40.6
1983	78,369	44,747	34,258	57.1	43.7

Source: 1984 "China Statistical Yearbook," published by the China Statistics Publishing House. Figure for 1949 available labor power was estimated from relevant figures.

Simultaneously with the continuous growth of rural labor power, as a result of land requisitioned and occupied by various sectors such as industries, communications and transport, water conservancy and housing construction, the area of cultivated land has declined. Computed on the basis of sowing area, in 1952, on the average, a rural laborer had 11.6 mu, but in 1983 this was reduced to 6.3 mu, or a reduction of 45.7 percent. On the other hand, during the period there was a substantial increase in rural mechanical motive power. In 1952, in the whole country rural mechanical motive power amounted to only 250,000 horsepower but had increased to 245.03 million horsepower by 1983. Averaging according to rural labor power, in 1952, the mechanical motive power of each 100 laborers was only 0.14 horsepower but this was increased to 71.5 horsepower in 1983. Even though the savings in labor power derived from this volume of mechanical motive power were used to offset the extra labor power required for intensive and meticulous farming and expansion of diversified operations (computed according to current scale), the present rural labor power, computed on the basis of the sowing area of each laborer in 1952, would still have a surplus of 156 million people. In the case of areas which have a large population but a small cultivated area, the surplus labor power may be as much as 50 percent.

In the past, under the guideline of "taking grain as the leading factor," diversified operations in agriculture in our country developed rather slowly. In the 1950's, the proportion occupied by crop cultivation in the gross output value of agriculture exceeded 80 percent; in the 1960's, it was generally 75 to 80 percent; even now it still occupies over 60 percent. At present, the ratio between animal husbandry and crop growing in our country is 1:4. There is still great potential for diversified operations outside of the realm of crop growing and they can absorb a large portion of the labor power. However, even though all these factors are taken into consideration, it is still unavoidable for our surplus rural population to be shifted to other departments outside of agriculture.

[HK210855] Over the past 30 years and more, over 70 million of the surplus rural population have moved to the cities and towns, but this portion of people

make up only 10 percent of the newly increased population of the countryside. The demand of the cities and towns for rural labor power was far smaller than the need of rural labor power for migration outside the countryside. This contradiction arises from various factors in the population and the economy: First, the production level of agriculture is low, surplus products are few, and there are insufficient agricultural products to meet the demands for the basic means of livelihood due to the increase in population in cities and towns. Second, the population has rapidly increased, the demand for consumption funds has likewise increased but the ability to accumulate is weak, and the development of industries and other kinds of enterprises in the cities and towns and their demand for labor power have suffered rather greatly from the restrictions of insufficient capital and other factors. Moreover, for a rather prolonged period in the past, we have been one-sidedly carrying out the guideline calling for priority development of heavy industry which required a rather advanced technical setup, thus intensifying the contradiction between consumption and accumulation, bringing about a proportional imbalance, and seriously affecting the stable growth of economic construction and the continuous expansion of employment. Third, the cities and towns themselves have an abundant labor force; in the development of the cities and towns, after making the necessary arrangements for their own newly increased labor power, their capacity of absorbing rural labor power has been very much limited. On the other hand, the base figure of the rural population is much larger than that of the urban population and it is difficult to balance the supply and demand in labor power between the cities and the countryside. Fourth, for some time in the past, in municipal construction, the tendency has been to lay stress on large cities and towns and to overlook small cities and towns, thus blocking the channel for the transfer and movement of the rural population. Fifth, in the past, for a rather prolonged period the policy of opening to the outside was not enforced and we did not utilize import and export trade as a regulatory force or use foreign capital and foreign technology to find a way out for the surplus labor of the country. After the XI Plenary Session of the 11th CPC Central Committee, we have readjusted our strategy in socioeconomic development and employed various ways and means to internally enliven the economy and enforced the policy of opening to the outside and created relatively better conditions for the migration of the rural surplus labor power of our country. However, due to the fact that changing our basic national conditions of a huge population and a weak foundation must take a long period of time, the shifting of our country's rural surplus population will for sometime yet be an important problem confronting us.

44. Ways of Shifting the Rural Surplus Population

In the course of our country's agricultural modernization, what should be the direction and road of the shifting of the hundreds of millions of surplus population? This is an exceedingly important problem in the realization of the modernization program of our country. Historical experiences have told us that as a big socialist country with a huge population which has a large proportion of peasants, we should never permit the exceedingly large rural surplus population to blindly drift into the cities and towns, to become concentrated in the large cities and towns, and cause the abnormal development of the large cities and towns. Rather, we must find a new road which conforms with our national conditions.

The road of shifting the rural surplus population and the guideline of formation of cities are closely related to each other and are inseparable from each other. In our country, the basic guideline for the formation of cities (or formation of towns) calls for "keeping the scale of the large cities in control, rationally developing medium-sized cities, and actively developing small cities and towns," and to conform with this guideline, the shifting of our rural surplus population must take the following two directions: On the one hand, to continue to send to cities (mainly small cities and medium-sized cities) now in the organizational system the labor power and population needed for city development and on the other hand, send to nearby or local country market towns various kinds of labor power and population not needed in agricultural production. Speaking from the standpoint of the population volume available for shifting, the latter should be the major point for shifting.

In our country at present, the population composition of the cities is top-heavy. According to 1983 statistics, the gross population of the cities and towns was 241.26 million, making up 23.5 percent of the gross national population. Of the gross population of cities and towns, the percentage distribution among the cities and towns is as follows: cities with a population each of 1 million, 35.7 percent; cities with a population each of 500,000 to 1 million, 19.5 percent; cities with a population each of 300,000 to 500,000, 9.8 percent; cities with a population of 100,000 to 300,000 each, 7.1 percent; cities with a population of below 100,000 each, 9.3 percent; and population of towns, 27.6 percent. [HK210856] Seen from this population composition of cities, in order to gradually rectify this top-heavy state, the size of the population of cities, and especially of large cities, must be kept under strict control. The economic development of these cities should be realized through technical transformation, reform of the economic structure, and carrying out more expanded reproduction of the intension type. As for the middle-grade cities, their population has made up a little over one-tenth of the gross population of the cities and towns. (Footnote 1) (According to regulations, the scale of the population of middle-grade cities is 200,000 to 500,000 people, but the existing statistics cited do not follow this classification; what is mentioned here about the population ratio of middle-grade cities and what will be mentioned below about the population ratio of small cities are both estimates.) This ratio is by no means large, but we must take into consideration the fact that the natural growth of the population in these cities will not stop for a considerable length of time and that in the foreseeable future a fairly large portion of the small cities will join the ranks of the medium-sized cities. Hence this category of cities can only be given a rational scale of development, that is to say, we should allow the adequate development of only those which possess the necessary conditions in regard to resources, geographical location, communications and transport and which conform with the needs of production and living, turn out good economic results, and are capable of fully playing the role of cities. Their common and unrestricted growth is not at all suitable as this may lead to a continuous increase in the number of large cities. As for the small cities the existing estimate of their gross population is around 6 percent of the gross population of cities and towns. Compared with our country's gross population of 1 billion, this percentage is a bit too small. In the long run, they may still greatly increase in number and should be able to absorb a

considerable portion of the rural surplus population, although the volume they can absorb may not be comparable to that of the rural market towns.

Development of the market towns which have the village town industries as their foundation and background provides the broadest road for the migration of our country's rural surplus population and is also the essential road to rectifying the irrational state of the existing structure of the cities and towns of our country. By the end of this century, there will be over 200 million people in our rural population who need to be transformed into non-agricultural population. Of this huge rural surplus population, the medium sized and small cities can absorb only a very small portion, while a larger portion will have to migrate to nearby or local market towns. This is not only essential but also entirely possible. This is because of the broad prospects for the construction of small market towns in our vast countryside and the really huge potential for their development. In 1982, the total number of county towns with a town organizational system and those without a town organizational system was 3,196 and in the whole country there were 2,664 towns, with a total population of 62.16 million. On the average, the towns had a population of 23,300 people each while over a thousand of them had a population of 20,000 to 80,000 people each. Below the county level, the total number of villages or seats of communes was 53,000. If by the end of this century, on the average the population of county towns with a town organizational system is increased to 30,000 to 40,000 each and the population in the villages is increased to 2,500 to 3,000 each (estimates on the basis of the population figures that these two categories of market towns can have in their capacity as locality service centers), then the total population in the market towns will be from 230 to 290 million, that is to say, about equivalent to absorbing the whole of the rural surplus population.

How should the rural market towns be developed? The key lies in greatly developing village and town industries and expanding commodity production which, in turn depends on enforcement of the various policies to enliven the rural economy. In recent years, as a result of the gradual rectification of the "leftist" policies formerly in force and following the development of enterprises in the villages and towns and the expansion of commodity exchange, small market towns have been thriving and many new market towns have appeared. In order to meet the needs of economic development and the migration of labor power, the 1981 CPC Central Committee circular on rural work stipulated that the various provinces, autonomous regions, and directly subordinate municipalities may select certain market towns to serve as trial points and permit the peasants engaged in industries or in commerce or in the service trades to settle down in the market towns, taking care of their own grain ration, thus conditionally giving the green light for the peasants to migrate to nearby market towns to engage in nonagricultural activities. Along with our insistence on enforcing planned control on population movements between towns and the countryside, the adoption of a more flexible and liberal policy toward the rural market towns cannot only maintain the superior character of the planned control of population and prevent peasants from blindly surging into large cities but also open up a wide road for the migration of the huge surplus rural population. It has an exceedingly important and far-reaching significance indeed.

[HK210857] The road for migration of our country's rural surplus population has many special and superior points of importance: first, the course of the shifting of the rural surplus population will become the course of the rational development of the cities and towns and the rational distribution of the population. Although the population of our country's existing large cities and very large cities occupies over 50 percent of the gross population of the cities and towns and this is indeed a rather high ratio, yet, seen from the gross level of our country's urbanization, the population of the cities and towns occupies only 23.5 percent of the whole and our urbanization process is still in the initial stage. Taking a long-term view, it can be seen that from now on the shifting of the rural surplus population of several hundred million embodies a decisive significance in the whole process of our country's urbanization and the rationalization of the structure of the cities and towns. This will enable us to avoid following the example of those Western countries which in their industrialization took the circuitous route of first blindly centralizing the industrial productive forces and the population in the cities, then following up with decentralizing them. Second, the course of the shifting of the rural surplus population will become the course of transforming the rural economic structure and elevating the population capacity of the rural areas. Under the conditions of the countryside engaging solely in farming, particularly only in crop growing, the countryside's productive forces comprise mostly a combination of agricultural labor power, land, the resources of living things on the earth's surface, and labor tactics in agriculture. Generally speaking, this level of productive forces can accommodate only a relatively small population. On the other hand, industrialization of the countryside can bring about the integration of rural labor power with nonagricultural natural resources and various kinds of underground mining resources, with resources that can be subjected to processing such as agricultural and sideline products, and with the products of large industries in cities and towns that can be sent to the countryside as well as the means of production for industry, thus becoming the partners of large industries in the development of specialization and cooperative relations and becoming industrial productive forces which possess special characteristics of the localities and can display and develop the superiorities of the localities. Simultaneously, commerce, the service trades, communications and transport, public utilities and cultural, educational, and public health enterprises will naturally develop in a corresponding manner and their natural centralization in the market towns will inevitably bring about the corresponding centralization of population, thus greatly raising the population figure of the localities. Third, the course of the shifting of rural surplus population will be the course of the gradual development of the integration of industry and agriculture and of the cities and the countryside. In Western countries, their economic modernization usually took the form of the productive forces and capital being gradually concentrated in the cities, and the rural labor force, lacking the means of production and for the sake of seeking employment, could not but be oriented to, and centralized in, urban capitals. This was a course indicating the parting of ways between industry and agriculture and between urban and rural areas. As a socialist country, our modernization cannot take this road and we cannot allow this course to be repeated. We should realize the modernization of industry and agriculture subject to the prerequisites of mutual aid between industry and agriculture and mutual aid and mutual promotion between the cities and the countryside. This shifting of rural surplus

population should likewise be carried out according to this principle and cannot be contrary to it. Making the shifting of rural surplus population progress alongside the industrialization of, and forming of market towns in the countryside precisely illustrates the enforcement and putting into practice of this principle. Seen from the inner economic relations of material production, development of industries in the countryside represents precisely the strengthening of the inner relations and the integration of industry and agriculture on various sides such as supply of raw materials, marketing of commodities, and shortening the course of transport of raw materials and finished products. Division of work and cooperation between large industries in the cities and enterprises in the countryside and the various kinds of measures of aid which the former render to the latter including the dispatch of products and providing technical aid, also constitute important roads to strengthening the integration of industry and agriculture and the integration of the urban and rural areas. Developing the market towns is an objective demand for strengthening the liaison between industry and agriculture and the liaison between the cities and the countryside. As the economic and cultural bases areas and centers of designated localities in the countryside, rural market towns must not only take the development of industry and commerce, communications, the service trades, education and culture as their basic task but must also serve as the indispensable conditions for promoting the development of the various trades.

[HK210858] They are the product of the integration of industry and agriculture and the integration of urban and rural areas and are also the foundation for promoting these two integrations. The initial stature of these integrations may be relatively simple, primitive, and not so obvious but it is necessary to note their potential vitality and enormous prospects. Keeping the shifting of our country's rural surplus population in pace with industrialization and forming of market towns in the countryside is in reality an effective road to transforming the status of the disintegration of the rural population in the countryside and that of the overconcentration of population in the large cities. This carries an important strategic significance in the integrated development of industry and agriculture and the integrated development in economy and culture of the urban and rural areas.

III. Shifting of Surplus Rural Population and Economic Development

In recent years, the rural economy of our country has achieved an unprecedentedly rapid development. Everywhere there are signs of growth and prosperity. This change is the result of the composite functions of various factors including the various reforms and efforts made by the masses. Shifting of the surplus rural population is one of these important factors. This can be analyzed in the following way:

1. Shifting of the surplus rural population promotes an increase in nonagricultural labor and heightening of the social labor productivity rate.

Viewed from the economic standpoint, population migration principally plays the role of integrating man, as the producer, with the means of production--enabling manpower and material power to achieve their full and effective uses. Shifting of the surplus rural population is naturally for the purpose of carrying out

more effectively work and avoiding the waste resulting from the concentration of an overly large population in limited land areas to engage in labor with a low productivity rate. In recent years, in the countryside in our country, simultaneously with the enforcement of the various forms of the contracted responsibilities system with payment linked to output, enterprises in the countryside and household sideline trades have received due encouragement, trade in the markets has developed, specialization and socialization in production have continuously progressed, and commodity production and various kinds of nonagricultural economic activities have thrived and prospered. However, expansion of commodity production necessarily promotes population movements. In particular, the policy permitting peasants who are interested in industry and in commerce to migrate, on the condition that they themselves take care of their own grain ration, to the market towns to settle down will greatly increase the changes of the peasants turning to nonagricultural areas for jobs. In 1983, in the enterprises in the country towns throughout the country, the labor force (including those doing farming work during the busy farming season) consisted of 32.346 million people (of whom 29.25 million people were personnel of non-agricultural enterprises), and the peasants jointly-operated enterprises had about 2 million people. The total of these two accounted for 10 percent of the whole rural labor force. Seen from the general trend of development, the shifting of agricultural labor force to nonagricultural labor force is rapidly on the increase.

The shifting in various directions and in various forms of our country's peasants to nonagricultural pursuits is helpful to improving the labor productivity rate on two counts: 1) Diminution of the surplus labor power in agriculture means an increase in the labor productivity rate of agriculture. 2) Under the present conditions in our country, the labor productivity rate of nonagricultural departments is usually higher than that of agriculture and an increase in the number of the employed in these departments is advantageous to improving the social labor productivity rate. These conditions can be verified by statistical figures. For example, in 1983, the annual output value of each farm laborer was 341.3 yuan whereas in 1983 the annual output value of each laborer in the industries in country towns was 4,225 yuan, being 500 percent higher than that in agriculture. In the other trades, and industries such as the construction trade and the communications and transport trades, the labor productivity rate was also higher than that in agriculture. Hence, the shift of agricultural labor power to the industrial, building, communications and transport departments inevitably improves the social labor productivity rate. In 1983, our country's social labor productivity rate was 2,402 yuan, an increase of 24 percent over 1978, averaging an annual increase of 5.1 percent. This increase in the social labor productivity rate was related to a portion of the agricultural surplus labor power being shifted to the nonagricultural departments. From now, other conditions remaining unchanged, the faster the shifting of the agricultural surplus population the speedier will be the increase in the social labor productivity rate.

1. The shifting of surplus agricultural population promotes changes in the rural economic structure and expansion in commodity production.

In recent years, following the development of rural economy and the shifting of surplus agricultural labor power, the rural economic structure has undergone

rather rapid changes. Of the greatest importance were the changes brought about by the development of industries in the rural country towns. In 1983, the gross value of the industrial and agricultural output of the rural areas in the whole country amounted to 368.1 billion yuan. Of this the gross value of agricultural output was 288.2 billion yuan while that of industrial output was 80 billion yuan. Compared with 1978, the gross output value of agriculture increased by 46.3 percent, averaging an increase of 7.9 percent; the gross output value of industries increased by 109 percent, averaging an annual increase of 15.9 percent. There was a rather great change in the ratio of the industrial gross output value of country towns in the gross output value of industries and agriculture of the rural areas. Thus, in 1978, the ratio was 16.3 percent but in 1983, it went up to 21.7 percent. There were also changes in the internal structure of agriculture. The various industries and trades outside of crop growing such as forestry, animal husbandry, subsidiary production, fisheries and so forth have all shown a rather rapid development. In 1983, in the agricultural output value, the proportion of crop cultivation dropped to 62.1 percent whereas that of the others, such as forestry, animal husbandry, subsidiary production and fisheries rose to 37.9 percent. Simultaneously, with the changes in the economic structure, commodity production in the countryside has been daily growing. In 1983, the state purchase volume of the agricultural and sideline products of the society amounted to a gross total of 126.5 billion yuan, an increase of 126.7 percent compared with the 55.79 billion yuan of 1978, averaging an annual growth rate of 8.9 percent after deducting the price factors. This growth rate far surpassed the average annual growth rate of 3.1 percent during the 26 years from 1952 to 1978. The commodity rate of agricultural products has also been rapidly improved and in 1983, the net commodity rate of grain rose to 22 percent. The retail sales volume of commodities in the countryside has also increased rather sizably, amounting to 167 billion yuan in 1983. This was an increase of 106 percent compared with the 81 billion yuan of 1978, and after deducting the price factor, the average annual growth rate was 12.5 percent, far surpassing the average annual growth rate of 5.4 percent of the preceding 26 years. Particularly worthy of note were the rather large increases in the transaction volumes of market trade in the cities and countryside in recent years. In 1983, compared with 1978, the number of city and countryside markets increased by 44 percent and the transaction volume increased by 200 percent.

All this was closely related to the temporary shifting of a large number of people in the countryside and a portion of the rural surplus population migrating to nearby market towns. The reciprocal promotion between commodity circulation and population movement is beneficial to enlivening the rural economy.

3. Shifting of surplus rural population heightens the consumption level of urban and rural residents and narrows the gap between them.

In recent years, as a result of the development of industrial and agricultural production, the income of city and countryside residents has been rapidly increased. In particular, the changes in the rural areas have been especially great. These changes are closely related to the rural surplus population being shifted to nonagricultural pursuits such as those in industries and commerce in the countryside. In the countryside, enforcement of the various forms of the contracted responsibilities system and of the various economic policies in conformity with the level of the existing productive forces have been instrumental

in arousing not only the enthusiasm of the extensive masses of peasants to seek wealth and income from the soil but also the enthusiasm and creativeness of those peasants who are short of farmland to leave the cultivated land behind and seek wealth and income from other production sectors, particularly industry. This is a revolution breaking the traditional method of operations. It has begun to open the doors for the peasants to wealth seeking on an even greater scale.

In recent years, residents in the countryside have experienced a much faster rise in their consumption level than residents in cities and towns and the disparity in the consumption level between urban and rural residents has narrowed. The following table is illustrative:

Changes in the Consumption Level of Urban and Rural Residents

Year	Residents' consumption level (yuan)			Index (1952 equals 100)		
	Residents in whole country		Nonagricultural residents	Residents in whole country		Nonagricultural residents
		Peasants			Peasants	
1952	76	62	148	100	100	100
1978	175	132	383	177.0	157.5	212.9
1983	288	233	523	250.1	238.2	289.1

Source: 1984 "China Statistical Yearbook"

It can be seen from the above table that from 1952 to 1978, the consumption level of nonagricultural residents rose by 113 percent whereas that of the peasants, by only 57.5 percent; while from 1978 to 1983, the consumption level of nonagricultural residents rose by 17 percent whereas that of the peasants, rose by 50.2 percent. In 1978, the ratio of the consumption level between peasants and nonagricultural residents (peasants as base 1) was 1:2.9. In 1983, it was narrowed down to 1:2.2. This is to say, in the past 5 years, the gap between the peasants and nonagricultural residents in the consumption level has been narrowed by 24 percent.

[HK210900] Naturally, the above refers to the average level. In reality, the disparities in the various rural areas differ greatly from each other. In localities with rich material resources and in poverty-stricken areas, in inner-city areas of cities and towns and in areas in general, and even in the same locality, among peasants who are capable in their operations and are relatively diligent and hardworking, their income level and consumption level frequently tend to increase. However, since simultaneously with our enforcement of the policy of letting a portion of the peasants become rich before others and paying great attention to "aiding the poor" and leading the backward households to follow up, in the long run, the road taken by our rural residents is one of common prosperity and not one of divergence into two separate directions. In the comparison between rural residents and urban residents, the disparity in the consumption level will tend to be gradually narrowed, not widened.

IV. Strategic Objectives for Shifting the Surplus Rural Population

How the developing countries, in order to speed up their economic development, should fully utilize the large volume of surplus labor power overflowing from the modernization process is a big and important strategic problem concerning the population and the economy. Certain Western scholars engaged in the study of the science of development economy are deeply interested in this problem. The experiences of our country have provided fresh experiences for the solution of this problem. Naturally, because of the difference in national conditions in the solution of this problem, our strategic target, strategic pivotal point, and the method or procedure are different.

As for the strategic target in shifting the surplus rural population, what we seek is not only what Western development economists have advocated as washing the "bathtub" clean of the surplus labor power and shifting to the "modern stage of increment," but also, through shifting of the rural surplus population, realizing a rational distribution of the productive forces, population and cities and towns, ultimately achieving the harmonious union of the cities and the countryside and elimination of the disparities between the urban and rural areas. The realization of this objective will be principally through the cities and the countryside mutually promoting industrialization and urbanization and achieving therefrom an increase in employment opportunities and expansion of the population capacity. As for the policy of opening to the outside, naturally we wish to make it serve the shifting of surplus rural labor power, although we place the focal point inside the country. Looking into the future, we can envisage that while the proportion of the rural population will be much lower than now, it will not be lowered to the level current in the Western industrially developed countries. Our future economic structure will be in diversified forms, much more so than in the West, and, in particular, the proportion of industry in the country towns will be much heavier: the rural market towns will achieve a general development, absorbing a maximum volume of the surplus population. In short, in the course of shifting the surplus rural population in our country, the rational state of the distribution of the productive forces, population, and cities and towns realized will have all the more special characteristics of our own.

CSO: 4006/574

AGGREGATE ECONOMIC DATA

FUJIAN REPORTS SUCCESSES IN PRODUCTION BASES

OW070434 Beijing XINHUA in English 0226 GMT 7 May 85

[Text] Fuzhou, May 7 (XINHUA)--The total output value of Fujian Province's eight major production bases last year rose 53.7 percent, compared with the 1980 figure, according to the province's planning committee here today.

In a report to a provincial people's congress session, the committee chairman said the import and export value in the eight bases reached 620 million U.S. dollars, 55 percent up in the period.

The province charted a plan to build eight production bases for forestry, livestock breeding, fisheries, cash crops, light industry, foreign trade and other endeavors in 1981. "Initial successes have already been achieved," the committee chairman said.

The taxes and profits turned over to the state from the eight bases last year accounted for 75 percent of the province's total financial revenue, 15 percent up from 1980.

The total overseas investment reached 250 million U.S. dollars, equal to the total amount over the previous five years, the committee chairman said.

Trade with Taiwan has also grown, he noted.

He enumerated the province's targets for the year 2000, with 1980's figures as the basis:

- 6.6 million hectares of land to be afforested, 2.2 million hectares more;
- four times more meat and well over 10 times more milk and eggs to be produced;
- three times more aquatic products;
- output of sugar cane, tea and tobacco to rise from 100 to 300 percent;
- universalization of junior middle school education by 1987 and nine times more students to be enrolled in institutions of higher learning by the year 2000.

AGGREGATE ECONOMIC DATA

BRIEFS

GUIZHOU TOWN ENTERPRISES OUTPUT VALUE--The gross output value of town and township enterprises in the province for the first quarter of this year amounted to 247.7 million yuan, an increase of 129.8 percent over the same period last year. [Summary] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 23 Apr 85 HK]

XINJIANG TOWN, TOWNSHIP ENTERPRISES--The region has attached importance to developing town and township enterprises. A good trend has appeared in this respect. The total income of town and township enterprises in the region for 1984 amounted to 620 million yuan, an increase of 47.1 percent over 1983. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 26 Apr 85 HK]

KEY ECONOMIC QUOTAS FULFILLED--Yinchuan, May 4 (XINHUA)--The Ningxia Hui Autonomous Region fulfilled its key economic quotas of the Sixth-Five Year Plan (1981-1985) one year ahead of schedule, according to the Third Plenary Session of the region's Fifth People's Congress now under way here. In a speech delivered at the opening ceremony, Ma Sizhong, vice-chairman of the region, announced that Ningxia reaped an all-round bumper harvest last year. Grain output was 1.54 million tons, six percent more than in 1983 and enough to feed its population of four million, he said. Ma said the tempo of industrial development and economic efficiency had increased simultaneously. The industrial output value came to 1,836 million yuan, a 13.9 percent increase over 1983. Last year, Ma said, all key projects, including a thermal power station, a chemical works, a sugar plant and irrigation facilities, reported fulfillment or overfulfillment of annual progress targets. On foreign cooperation, he said, Ningxia has established trade and economic ties with 50 countries and regions. As a step to further break out of its seclusion, the remote region will hold the second international economic and technical cooperation forum in September this year, Ma announced. The first forum was held in September 1984, resulting in deals worth nearly 20 million U.S. dollars. [Text] [OW040822 Beijing XINHUA in English 0652 GMT 4 May 85]

CSO: 4020/212

ECONOMIC MANAGEMENT

PRC JOURNAL ON WHOLESALE COMMERCE SYSTEM REFORM

HK160758 Beijing JINGJI YANJIU in Chinese No 2, 20 Feb 85 pp 42-46

[Article by Tao Pei [7118 3836]: "A Brief Discussion on the Reform of the Wholesale Commerce System"--completed in October 1984]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, and following the rapid development of agricultural and industrial production, the task of reforming the commercial circulation system has been put on the agenda. The focal point of the reform of the commercial circulation system, from start to finish, will be the reform of the wholesale system. Trade centers, as an excellent way of promoting commodity circulation, have already clearly shown their vitality in the reform of the wholesale system. However, there are different ideals for the economic role of trade centers, the place of trade centers in the reform of the wholesale system, and strategic plans for the reform of the wholesale system. Thus, in actual economic life, a "craze for centers" is occurring, and in terms of theoretical understanding, there exists the idea that establishing trade centers can replace the overall reform of the wholesale system. In this article, I will try to briefly state my ideas on the above-mentioned problems.

I

Trade centers, as organizational forms for commodity exchange, can be seen as wholesale markets. They are special wholesale trade markets produced under the specific conditions of our nation's current reform of the circulation system. They are different from the former system of wholesale stations at three levels set up on the basis of administrative levels, and are also different from trading warehouses and other types of wholesale organs.

First, the basic difference between the trade centers and the former wholesale stations set up on the basis of administrative levels, is that the former are trading markets. Many types of sellers go into the "centers" to sell and many types of buyers go into the "centers" to buy. A characteristic of the trade centers is that many different types of sellers enter the market. As many types of buyers and many types of sellers enter the "centers," there is "no distinction as to where goods are from or whether they are publicly or privately owned." This clearly brings out the appeal and radiating nature of the "centers." This characteristic of the trade centers was not seen in the former wholesale stations. Although at the former wholesale stations "all were

welcome," because of regional and departmental divisions and of the restrictions imposed by the economic interests of the wholesale stations themselves, it was difficult for the wholesale stations at any level to function as places where all types of sellers could come to carry on business. Thus the method whereby "the wholesale stations erected a stage and everybody came to perform" at the very least generated suspicion that the sellers were not paying attention to the interests of the enterprise and there were also hints of administrative interference. It would have been difficult for them to last long.

Second, the difference between the trade centers and the trade warehouses is mainly reflected in differences in their respective operational scopes and operational forms. A trade warehouse engages in a type of commodity exchange activity which is completely regulated by the market mechanism. In its operational scope, it mainly handles those commodities which are subject to market regulation, while in its operational forms it uses the "four agents"—purchasing agents, sales agents, storage and transport agents, and processing agents. It does not, or only infrequently, engage in its own business. However, the operational scope of trade centers can include commodities subject to planned management at different levels. Most of these are commodities subject to guidance planning or regulation by market mechanism. Its operational forms can vary from organizing everyone to participate in buying and selling, to where it engages in a certain amount of business on its own behalf. At the same time, it can participate in the "four agents" business and can exercise its function as a "business agent."

From the above, we can see that the trade centers have their own special economic functions:

1. Trade centers function as wholesale trade markets. This is the basic function of trade centers. As the trade centers are wholesale trade markets, they should create market conditions for equal trading. They should create conditions whereby all those who enter the market as buyers or sellers will be able to carry out free trade based on the principles of equality, willingness and exchange at equal value, regardless of whether these people are local or from other places, from industry or from commerce, and regardless of whether they represent state-run, collective or individual operations. [HK160810] Thus, they will be able to get rid of those maladies, such as fixed purchases and sales relationships, distribution of commodities on the basis of links, and fixed prices, which were created by the closed wholesale system. In this way it will be possible to fully maintain their exuberant vitality.

2. Trade centers have an information transfer and feedback function. This is a derived function, resulting from the trade centers being wholesale trade markets. When buyers or sellers of any commodity enter the market, they will need to understand the market quotations based on information from the market, and on this basis will be able to decide whether or not to do business. As the trade centers are wholesale trade markets, the organization of large-batch commodity transactions involves greater risks. Thus, the trade centers need excellent information transfer capabilities. They should have the facilities for necessary communication with contacts, the circulation of information, the transfer of information, and the handling of information. This will be

beneficial to forming an information circulation and exchange network between trade centers, and unimpeded information will attract more traders to enter the trade centers to do business.

3. The trade centers have a fairly complete, comprehensive service function. This is also a derived function resulting from the function of trade centers as wholesale trade markets. A wholesale trade market must inevitably attract a large number of clients who enter the market to trade. Thus, providing convenience and good service is an important condition for attracting people to the markets to trade. For each of the people who enter to trade, time is life, time is benefit. Thus, service in the provision of convenience by trade centers is a precondition for customers being able to gain time and obtain benefits. Trade centers must bring into play their service role and at least should provide conditions for clients to discuss transactions and to exhibit commodities. They should also provide necessary storage, transport, and processing facilities for the clients. There should also be a bank agency to provide the clients with credit, to collect funds, and to settle accounts. At the same time, the trade centers should have necessary facilities for livelihood services, such as hostels and canteens. Also, as trade centers are wholesale trade markets and mainly carry out wholesale futures transactions, there is a need to sign a large number of economic contracts. Thus, the trade centers should invite industrial and commercial management departments to set up agencies and carry out supervision, mediation, and arbitration, so as to maintain normal and ordered trade.

From the above-mentioned economic functions of trade centers we can see that the major obligation of trade centers, as independent economic organs, is to take responsibility for providing the necessary conditions for market trade and to organize transactions between the sellers and purchasers. Thus, seen from this angle, trade centers should be economic organs of a service nature. They will, through supplying labor, provide compensated services and will obtain income from these services. The profits thus obtained will maintain their operations. This will be of benefit in reducing the contradictions between sponsoring departments engaging in their own business and the provision of services. It will also be beneficial to overcoming the situation where, after the trade center itself begins to engage in business, other units which wish to enter the trade center to operate are "excluded." By this means we can strengthen the trade centers' appeal to the different types of sellers. However, a uniform pattern of trade centers should not be insisted upon. They should not be restricted to this "service form." It is also possible to have "operational model" enterprises. These enterprises would derive advantage from adopting a joint-stock company form, by linking all the sellers through a partnership, and then engaging in purchasing and sales. To sum up, the form is but an outward manifestation of the contents. As long as they firmly hold to the essence of trade centers--that is, that many different sellers go into the "centers" to sell--then they will not lose the innate vigor of trade centers. In this way, their luster will inevitably glisten during the reform of the wholesale system. Thus, if any centers divorce themselves from the essence of trade centers, and mechanically adopt the method of just "changing the signboard," this will only be temporary, as it will be necessary finally, during the reform of the wholesale system, to again carry out "self-improvement and perfection."

The establishment of trade centers is a breakthrough point in the reform of the wholesale system. It is also a measure of strategic significance in the reform of the wholesale system. The breakthroughs created by trade centers as opposed to the former wholesale system are manifested in the following major aspects:

First, the establishment of trade centers is a breakthrough in terms of the former market monopoly held by state-run commercial departments. Our nation's former closed wholesale system was established in the situation where commodities were deficient, on the basis of the socialist transformation of privately-owned industry and commerce. It was a vertical commodity allocation system, centralized to a high degree, controlled through mandatory plans and directly managed by organs of state power. Under this system, the state, through state-run commercial departments, monopolized the wholesale market. Thereby it achieved the aim of, on the one hand, controlling production and, on the other, controlling consumption. The basic malady of this type of wholesale commerce system was that it obstructed the direct relationship between production enterprises and the market. Thus, production enterprises and wholesale commercial enterprises could not work together as equals, and there was no way that that exchange could be carried out in accordance with the commodity economy principles of equality and willingness, exchange at equal value, and competition between commodities. The establishment of trade centers broke through and resolved the problem of there not being many types of sellers coming into the market. Here, regardless of whether they are operational enterprises or production enterprises; regardless of whether they are state-run enterprises, collective enterprises, or individual enterprises; regardless of whether they are commercial enterprises, industrial enterprises, or agricultural enterprises... all can enter the trade centers as sellers of commodities. Comparison between them will be reflected in the quality of their commodities and their prices. Thus, here all the commodity sellers are completely equal and have an independent status as legal entities. They are not attached to anybody and do not have to look to any administrative power which forces them to conclude transactions. They carry out exchanges based on the principles of the commodity economy. This is the basis for the vitality of the trade centers.

Second, the establishment of trade centers is a breakthrough in terms of the previous commodity purchase and sales form, where commodities were purchased and sold in a unified way. The unified purchase and sales of commodities was the product of a highly centralized commodity management system. Its most outstanding fault was that state-run wholesale commerce purchased all (or virtually all) of an enterprise's products, which resulted in production enterprises being divorced from the sales process and far from the markets. This was the basic reason "industry reported good news and commerce always had bad news." In strict terms, unified purchases and sales, or a unified purchase and sales relationship between industry and commerce, does not accord with the principles of a commodity economy. We can also see it as an incomplete commodity exchange relationship. Thus, within this exchange relationship there is no way to carry out exchanges in accordance with the principles of voluntarily allowing others to participate. Unified purchases and sales brings with it involuntary exchanges to various degrees. These can also be said to be compulsory exchanges. The

effects of these compulsory exchanges were inevitably seen in commodity prices and value relationships. In regard to the distribution of profits between industry and commerce, this also resulted in either industry receiving more than commerce or commerce receiving more than industry. This was the central point of our nation's "industry-commerce relationship" problem which existed for a long time. Unified purchases and sales were, in reality, industry and commerce "eating from the big pot." Because the production enterprises were distant from the markets, after the state purchased their products wholesale, they then had nothing more to do with the sales process. Thus, industrial enterprises did not have to concern themselves with producing new generations of products, were in no hurry to improve their technology or equipment, and did not concern themselves with market demand, or whether commodities would be able to realize their value. They must continue to produce. The commercial departments did not concern themselves with the market situation either, only paying attention to energetically organizing purchasing. Since the alleviation of the situation where the supply of commodities did not meet the demand, and following the readjustment of the planned management system, the above-mentioned maladies have seen changes. However, due to the monopoly by state-run wholesale commerce of the market, and the long-standing "appendage" relationship between industrial production enterprises and a wholesale station at some level, it was very difficult to break through the former production-sales relationship between industry and commerce. [HK160828] The establishment of trade centers has broken the unified purchasing and sales form. The products of production enterprises can be sold to any buyers willing to trade and in any area's trade center. The purchasers may be direct consumers, or may be retailers or wholesalers. As far as production enterprises are concerned, since the establishment of trade centers and changes in competition, while commodities can still be sold to wholesale enterprises which were formerly responsible for the unified purchase of their products (actually, this is the case in most situations), these wholesale enterprises are no longer their sole customers. The sellers now have a choice as to whom they sell. Thus, the production-sales relationship is able to be further perfected on the basis of commodity economy principles. Seen from the commercial enterprises' side, following the breaking down of unified purchases and sales, the commercial enterprises can freely purchase commodities from any area and from any level. In this, the value and use value of commodities are the only standards for determining whether the two sides can carry out a transaction. The economic interests of the two sides (of course there are also the interests of the society) are the only criteria for determining the commodity purchase and sales relationship. Only thus will we be able to thoroughly get rid of the long-standing purchase and sales form whereby purchases and sales violated commodity economy principles.

Third, the establishment of trade centers is a breakthrough in terms of the "three fixeds" vertical economic relationships between the internal links of commerce. For a long period, the internal links of our nation's commerce have implemented the "three fixeds" method of "fixed supply divisions, fixed supply targets, and fixed inverted pricing." Administrative measures and economic means were used to divide the markets. First-level stations were responsible for purchasing local products. Second-level stations organized local sales. The third-level stations took the commodities supplied by the second-level stations and, through the local supply and marketing cooperatives, put them

into the rural markets within the area of their jurisdiction. This resulted in the second-level stations becoming strategic points, controlling the flow of commodities in the local markets and outside markets. It also resulted in the third-level stations controlling the economic relations, both input and output, between urban and rural markets. This "three fixeds" method completely severed the horizontal relationships between areas, between enterprises, and between markets. This was an important cause of the impeded flow of our commodities. The establishment of trade centers broke through the "three fixeds" relationships between the various links of commerce. It has thus allowed the sellers and the buyers to use the basic law of the commodity economy, the principle of the law of value, to select the shortest transport routes, the cheapest circulation costs, and the fastest circulation speed to transport commodities into the hands of the consumers. No astute entrepreneur will allow his commodities to pass through the levels of wholesale links, pay large amounts of money, expend large amounts of time, or make fruitless journeys in getting the commodities onto the market. He is able to arrange sales through selecting a trade center with a wide market as his target market. He can also arrange sales by comparing various economic targets, and selecting either a direct sales method or an indirect sales method. These types of horizontal economic relationships between production enterprises and operations enterprises, and between one operational enterprise and another will gradually stabilize and will finally thoroughly break down the restrictions of the former "three fixeds." They will become an effective organizational form for the commodity circulation system after the reform.

It can be seen that the breaking down of the former wholesale commercial system by establishing trade centers is the beginning of the reform of the wholesale commerce system. This has strategic significance in the reform of the circulation system. Indeed, the establishment of trade centers is the product of the comprehensive reform of our nation's economic management system.

If there was no reform of the planned management system, trade centers could at most have dealt only in those commodities which are subject to regulation by market mechanism. This would not have brought into play their role as breakthrough points in the reform of the wholesale system. If there was no easing of the price management system and we continued to use the inverted pricing method at fixed links, then establishing trade centers would have been nothing more than a change of name-plate. More importantly, if we had not achieved a breakthrough by recognizing on the theoretical level that the socialist economy is a planned commodity economy based on public ownership, then we would not be in a position to recognize the innate reasons for the vigor displayed by trade centers.

[BK160836]

III

Although the establishment of trade centers is a measure of strategic significance in the reform of the wholesale system, it is only one step of this reform. It can be anticipated that in the future the reform of the wholesale system will have to be carried out with vigor in two aspects. The first will be the continued breaking down of the situation where wholesale markets are monopolized, and the gradual forming of a wholesale market network which has the trade centers of key cities as its center. The second will be allowing dealers in

commodities, of various economic types, to engage in wholesale operations, and the formation of a wholesale commercial structure which has state-run wholesale commerce as its main part.

The gradual formation of a wholesale market network which has the trade centers of key cities as its center.

First, the trade centers are large-scale wholesale markets established in key cities or in important centers for commodity collection and distribution. They are the centers of a network of wholesale markets. Trade centers have an economic function as wholesale trade markets, and they carry out large-scale wholesale business. Thus, they have the geographical superiorities of the former purchasing stations which were rationally set up on the basis of economic divisions, and the ability to collect and distribute commodities. Also, because they have been set up in key cities, they have superiorities in terms of transport and communications, posts and telecommunications, information transfer and comprehensive service, and this provides great advantages for them in bringing into play their appeal and their radiating effect. Through their appeal, trade centers can attract all those engaged in wholesale commerce in that economic area to come into the "center" to engage in wholesale transactions. This will increase the economic strength of the trade centers and bring into play their role as "centers." At the same time, it is also possible for all the trade centers of key cities to mutually set up "agencies" (or windows) to form horizontal economic links which join up all areas.

Second, in all large, medium-sized, and small cities as well as in towns, there should be established specialized or comprehensive wholesale markets of different types. They will be the centers of each district's commodity exchange. On the one hand, they will purchase commodities from the trade centers in the key cities and the wholesale markets in other areas through various types of wholesale commerce, and put them into the hands of the buyers and sellers in their own wholesale markets. On the other hand, they can collect and distribute the industrial products and special agricultural and sideline products of their area. They can arrange purchases through wholesale commerce and afterwards transfer the products to other areas for sale. Thus, these wholesale markets will become the economic link between that area and other areas and between that area and key cities.

Third, small-scale dispersed wholesale markets or rural trade markets will be established as supplements to the wholesale markets. This type of market will mainly be set up in towns or in the areas which link large, medium-sized, and small cities with the rural areas. They will mainly handle the collection and distribution of industrial and agricultural products and the flow of commodities between urban and rural areas.

It is possible to establish horizontal economic links between all the above-mentioned wholesale markets through wholesale traders who engage in wholesale commerce, agency commerce, or trade warehouse commerce. Between these different types of wholesale markets there will be no division of labor based on administrative levels, and no jurisdiction relationships of superior and subordinate. There will be no compulsory measures forcing them to engage in

certain economic transactions. They will continually develop by relying only on the internal objective demands for developing the commodity economy. Only in this way will it be possible to gradually form a wholesale market network with trade centers as its center.

Allowing dealers in commodities, of various economic forms, to engage in the wholesale business, so as to form a wholesale commerce structure with state-run wholesale commerce as its main part.

First, the participation of operators, of various economic forms, in wholesale commerce will be beneficial to breaking through the situation where state-run commerce has a monopoly over wholesaling. It is a precondition for clearing the channels of circulation and enlivening commodity circulation. In general, state-run commerce, state-run industry, supply and marketing cooperatives, and other collectively-owned commerce and individual commercial operations will be able to enter the trade centers and the various types of wholesale markets to engage in wholesale business. [HK160842] Only in this way can the various types of wholesale markets be linked up economically through wholesale trade, and form a network. Wholesale traders of various economic forms will mainly engage in transferring goods into the hands of the buyers and sellers. They will be commodity dealers who carry out transfers in terms of space and time. No matter what economic form the wholesaler takes, all can directly replenish their stock from production enterprises or from trade centers. They will also be able to replenish their stock from other commercial wholesale operators. In accordance with the amount of funds and the amount of goods involved, they will be divided into first class wholesalers, second-class wholesalers and third-class wholesalers, or else as agents, middlemen, and so on. The existence of various types of wholesale commerce and various types of economic forms in one area or in one city, will be beneficial to creating a situation of rational market competition. This will also be of benefit in speeding the flow of commodities.

Second, when the various economic forms participate in the wholesale markets, it will be necessary to bring into play the guiding role of state-run commerce. As wholesaling is the point of entry for the flow of commodities, if state-run commerce is unable to play a guiding role, it will certainly produce blindness and unplanned aspects of circulation. This would not be in accord with the essence of the socialist planned commodity economy. In the wholesale markets where diversified economic forms participate, the guiding role of state-run commerce will firstly be manifested in its abundant economic strength. It can use state finances as a backup force and, through its abundant funds, can insure that state-run commerce will have the ability to handle large volumes of commodities. Thus, it will be able to use its economic strength to control the markets and keep prices down. The guiding role of state-run commerce will also be manifested in its economic responsibility as the only undertaker of mandatory state plans. The state, in accordance with market supply and demand, and other factors, stipulates mandatory plans. Only if there is an appointed state wholesale organ to carry these out will it be possible to guarantee the smooth implementation of state plans. The guiding role of state-run commerce will also be shown in its fine service and its splendid operations. Thus, it will become a model for wholesale commerce of various economic forms, and will

become the guiding force for the entire wholesale market. In addition, organs of state power and market administration departments should exercise macro-economic control through appropriate policies and through controlling the proportion of various types of wholesale commerce. This will guarantee the full bringing into play of the guiding role of state-run commerce.

The reform of the wholesale commerce system is the core of the reform of the commodity circulation system. It will influence production and consumption and it will relate to the overall supply and demand situation in the market. Thus, in gradually carrying out the reforms, we should respect each area's experience in suiting measures to local conditions. As to those irrational wholesale links, we should not use administrative measures to get rid of them. We need only utilize economic principles. In competition, under conditions of equality, those wholesale links, the economic results of which are not high and which are not competitive, will naturally be eliminated, and a rational wholesale system will swiftly come into being.

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[Article by Yang Shengming [2799 5110 2494] of the Economics Research Institute of the Chinese Academy of Social Sciences: "A Discussion on the Reform of Consumption Structure in China"--written in December 1984]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, we have already scored major achievements in our rural structural reform and are now continuing to deepen this reform. The urban reform with enhancing the vitality of our enterprises as the key link is also being steadily carried out. This structural reform is unprecedented by deep and wide. It is not a minor attempt to mend the old structure, but is a deep revolution to thoroughly change the old structure. It covers structural reform in the sphere of consumption as well as a variety of economic structural reforms in the spheres of production, circulation, and distribution. This article is a first attempt to investigate some of the problems related to the reform of consumption structure and is aimed at attracting other people to take part in the discussion of these problems.

1. Advantages and Disadvantages of the Previous Consumption Structure

The major disadvantage of the previous consumption structure in our country is that our consumers lack the power to make policy decisions on, and to independently decide their consumption. From the time when the revolutionary bases were established at Jinggang Shan to the initial period after the liberation, a supply system was implemented for all army, party, and government cadres and some of our workers. This kind of system played an important role in a period when there were extremely great economic difficulties. However, under this system, the consumers had no right to make any decisions on their consumption. Unified stipulations were imposed on what to consume and what not to consume and on the amount to be consumed, therefore, an individual had no rights in making a choice. After this system was abolished in 1955, it was revived in our rural areas and some of our cities during the era of the "Great Leap Forward." However, it was soon discarded by the consumers. From the mid 1950's, we implemented the system of supplying major consumer goods by coupons. The scope of supply by coupons ranged from the basic necessities for people's livelihood such as grain, cotton, oil and coal to foodstuffs such as eggs, pork, and sugar and from durable consumer goods such as bicycles, sewing

machines, and wooden furniture to articles of daily use such as soap and matches. For a time, there were dozens of kinds of national coupons and countless local and departmental coupons. At the height of the coupon distribution, a consumer could hardly live without coupons. Therefore, some people regarded the system of supplying consumer goods by coupons as a semi-supply system. This system played a certain positive role under conditions in which the supply of consumer goods fell short of the demand, but it also seriously restricted the consumers' rights to choose what goods to consume. Consumer goods such as the housing facilities for urban people were in essence supplied by a supply system though on the surface, they were not supplied on coupons. As regards other consumer goods on which no supply system or coupon system was imposed, because of the shortcomings in our production administration and management system and commercial structure, our consumers were forced to consume what was produced and sold and had little room for choice. Facts have proved that though our country's vast number of laboring people had become masters of their country and owners of the means of production, they continued to have little power as consumers.

As consumers, our enterprises and other basic-level units of consumption were also in a position of having little or no power. As production consumers, our enterprises lacked their due power of production administration and management; while as consumers, they lacked their due power of consumption. Our enterprises are first production units and at the same time are also consumption units. Our enterprises have to set up canteens, bathrooms, barber's shops, cinemas, libraries, gymnasiums, nurseries, kindergartens and other livelihood and welfare facilities to satisfy the livelihood consumption demands of their staff and workers. Therefore, since our enterprises are livelihood consumers, they must have a say in deciding policy and decisionmaking power over their consumption. However, in our previous structure, we implemented a system of the state collecting all the income and paying out all the expenditure in a unified manner. As a result, our enterprises were deprived of even the smallest power over consumption and were not even allowed to build a new toilet without permission. Many responsible people of our enterprises wanted to improve the livelihood of their staff and workers, but they often found that their wishes outran their power and they could do nothing to satisfy the demands of their staff and workers. As for our institutions such as government organs, schools, and hospitals that were consumption units in the proper sense, they ought to have had power of consumption. However, this was not so. What they could consume and how much they could consume had already been definitely stipulated. "The funds allocated for the purchase of vinegar should not be spent in purchasing soy sauce." Therefore, they could only act in accordance with the regulations and had no say in deciding policy or decisionmaking power concerning their consumption.

Another shortcoming of the previous consumption system was that it neglected or negated the role of the market in consumption. We know that under the conditions of a commodity economy, the market is a tie and bridge that links production with consumption. The influence of our market permeates our consumption as well as our production. It would never do to cut the links between the market and production. Nor would it do to cut the links between the market and consumption. During the structural reform, we are improving the relations between the market and production and thus enabling the market to play an even

greater role in regulating our production. At the same time, we should also attach importance to the role of the market in regulating consumption. This is an important problem that we failed to satisfactorily solve in our previous consumption structure. For example, for a long time about two-thirds of our peasants' total living consumption expenditure was for goods supplied by themselves. Even by 1981, this proportion was still as high as 60.3 percent. This meant that basically, our peasants did not rely on the market for their livelihood. Regarding the limited amount of consumer goods supplied to our peasants through the system of supply and marketing cooperatives, a large portion of them were supplied by a supply system of distributing actual goods in the name of commodities. For example, bicycles, sewing machines and other durable consumer goods and articles of daily such as soap, matches, and edible soda were all supplied by coupons or quotas and were not to be bought and sold freely. This could not but restrict the role of our market on the livelihood consumption of our peasants. As for the livelihood consumption of our urban staff and workers and their relatives, here too the role of market regulation was not clear enough. The supply and coupon system governing the supply of many basic consumer goods, and in addition, the long-standing fixed prices and the huge amounts of price subsidies paid by the state and enterprises caused many products to be sold at prices lower than purchase prices. This has greatly weakened the role of the market in regulating the livelihood consumption of our urban people. If we say that the theory of natural economy fettered our minds for a long time, and occupied a dominant position in the sphere of production, then it is even more deep-rooted in the sphere of consumption. Basically, our previous consumption structure was that of a natural economy rather than that of a commodity economy. This made it impossible for our market to play a greater role on our consumption.

Another malady in our previous consumption structure was the uniformity in the economic forms and management methods in our consumption sector. In a one-sided manner, we pursued the concept of "large in size and having a higher degree of public ownership". This was shown in the consumption sphere as well as in the production and circulation spheres. Concerning the trades related to the material livelihood of our people such as the catering business, tailoring trade, barbers, bathhouses, medical services, communications, maintenance services and housing construction, we only allowed the state to undertake these trades and excluded and dealt blows to the collective and individual economies. However, the state-owned economic sector conducted the practice of "eating out of the same big pot" and was not efficient. As a result, there was a shortage of catering services, tailors, traffic facilities, housing facilities, barbers and so on for our consumers. As for the sectors of film projection, television broadcasting, theatrical performance, radio and wired broadcasting, libraries, education, science, and art, they were monopolized by the state-owned sector and collectives or individuals were not allowed to undertake any business in these sectors. As a result, the masses of people had little cultural life. Practice has proved that the state cannot take upon itself all the business related to the livelihood of 1 billion people. It will never do if we do not give play to the initiative of the collectives and individuals.

Despite the many above-mentioned defects in our country's consumption structure, this structure is not totally devoid of strong points and still has some advantages. For example, under this structure, there is no excessive disparity

between the living standards of various consumers and there are no diametrical opposites such as are described in the phrase "wine and meat go rotten in the residences of officials while the corpses of those who died of the cold lie in the street." The difference in people's livelihood is of limited extent and is on the basis of becoming rich together. Everybody is supplied with his share of food and clothing and the supply of what he basically needs is ensured. The social order is relatively satisfactory with a low crime rate and people lead a stable and safe life. Their spiritual life is healthy and there are few decadent things in their lives.

2. Development and Problems of the Reform in Our Consumption Structure

During the past few years, while reforming the various economic structures in our production, circulation, and distribution spheres, we also carried out some partial and minor reforms in our country's consumption sphere and have scored certain achievements.

For example, we have expanded our consumers' policy decisionmaking power. As our agriculture and light industry developed the supplies of consumer goods increased day by day. As a result, the scope of the supply of consumer goods by quotas has been greatly reduced and the coupon system has been abolished for the supply of quite a few consumer goods. This has expanded our consumers' policy decisionmaking power over their consumption and their decisionmaking power in choosing their consumer goods. In the process of expanding the decisionmaking power of our enterprises, we also expanded the enterprises' expanding the decisionmaking power of our enterprises, we also expanded the enterprises' decisionmaking power over their consumption and caused "enterprise consumption funds" to begin to take shape.

In another example, the role of the market in the sphere of consumption has been strengthened to some extent. We have carried out experiments in supplying people with residential flats as commodities in Changzhou, Zhengzhou, Siping and Shashi cities. The role of market regulation has also begun to enter some previously forbidden areas. The percentage of expenditure of a commodity nature in the total living expenditure of our peasants rose from 39.7 percent in 1978 to 58.8 percent in 1983. This shows that there has already been a change in the basically self-sufficient situation in our peasants' livelihood, and that our peasants have begun to mainly depend on the supplies in the market.

For a third example, organizations that protect the rights and interests of consumers have begun to emerge. As a small number of factories and shops have conducted price hikes in disguise or passed off defective goods as fine quality ones to cheat consumers and encroach on their interests, with the support of the authorities in some areas and cities and of the trade unions, CYL and other organizations there, mass organizations that specially protect the interests of consumers have been established. For example, we have established the National Consumers Association, the Guangzhou City Consumers Committee and the Wuyi County Young Consumers Guidance Committee in Hebei Province. In order to put an end to unhealthy practices in distributing residential flats, residential flats distribution committees and organizations of a similar nature have

been set up in quite a few areas. In order to check and supervise the implementation of the state price policies in our retail shops, some neighborhood committees have assigned some of their members to be responsible for matters relating prices. These members promptly convey any problem they have found to the price departments and the industrial and commercial administrative departments of our governments.

For a fourth example, the economic forms and management methods in our consumption sphere have also developed. As we have relaxed our policies, the catering, tailoring, barber, hotel, maintenance, medical, passenger transport and bath-house services undertaken by collectives and individual traders have to some extent developed and schools, cultural centers, and libraries that are run by collectives and individuals have begun to emerge. The firms in these trades run by the state have begun to improve their management methods, established various forms of responsibility system, or been transferred to the management of collectives or individuals by contracts have been released. This has given play to the initiative of their staff and workers. All the above has played a favorable role in solving the problems related to the livelihood of the masses of people including the shortage of catering and tailoring services.

In addition, we have also been making experiments to reform our free medical service system; have revised the systems related to our staff and workers' leave, recuperation leave, and leave and subsidies for annual visits to their family members; and have given lunch subsidies to some primary schools. All these have played some role in improving the livelihood of our people.

The above-mentioned partial minor reforms are not only imperative for improving our people's livelihood at present, but also make preparations for and constitute a beginning for the overall reform in our consumption in the future. The main orientation of these minor reforms is correct. However, these reforms are far from being sufficient. Compared with the structural reforms in our production, circulation, and distribution spheres, the reform in consumption structure has clearly lagged behind. How are we to reform our country's consumption structure? These problems have not been discussed much yet and no articles of importance seem to have emerged in this field. This situation falls far short of the prosperous reform situation in the whole country. This requires the comrades in our theoretical circles and work departments who are concerned about the problems related to consumption to rouse themselves to catch up and to push forward our country's reform of consumption structure.

In order to make our country's consumption structure reform catch up with the pace of the reforms in other fields in the whole country, we should first solve a problem of understanding. Some comrades hold that consumption is a personal problem related to livelihood and therefore, there is no structural problem at all, let alone a problem of structural reform. I think that this view is worth discussing. In the sphere of consumption, there are indeed problems related to structure just as in other spheres. Consumption is by no means a purely personal livelihood problem, but is a kind of economic activity that is carried out amid social relations. The social relations in the sphere of consumption--consumption relations--are fairly complicated and consist of many contradictions. For example, though there is a basic unity between the consumption of the state, the collective, and the individual, as the subjects

of consumption differ, there are certain contradictions. Under the condition of maintaining a fixed total amount of consumption, when the consumption of the state and collectives increases, that of individuals will inevitably decrease; and vice versa. In the sphere of the consumption of the state, there are also contradictions between the consumption of the central authorities and local consumption. When the central authorities have too great a power over consumption, it will be detrimental to giving play to the initiative of localities; but when our localities have too great a power over consumption, the consumption activities of the central authorities will be hindered and thus the central authorities may not have the resources to run various kinds of national or even international consumption undertakings. In the sphere of collective consumption, there are certain differences and thus also certain contradictions between the consumption of the units owned by the whole people and that of collective units, between the various units in the sector owned by the whole people and between the various units of the collective sector. If we fail to properly handle these contradictions, we will also hinder giving play to the initiative of the various units and the laborers there. In the sphere of individual consumption, there are differences between the consumption of our staff and workers and that of our peasants, between that of mental and manual laborers, between that of the Han nationality and that of the minority nationalities, between that of rich households and that of households with difficulties, between that of different areas, and in the consumption of different age, sex, professional, and religious groups of consumers. If we fail to properly handle these relations, it will be detrimental to giving play to their initiative. In addition to the above-mentioned horizontal consumption relations, there are also consumption relations related to the order of time, that is, the relation between immediate consumption and future consumption and that between long- and short-term consumption. The total sum of these consumption relations and other consumption relations constitutes the consumption structure, which is an important constituent part of the whole system of national economy. Reforming our consumption structure means in essence further readjusting consumption relations, improving the distribution of the power over consumption, taking into account the consumption interests of all sectors and thus promoting the developing of the four modernizations and the improvement of people's livelihood. We should attach great importance to the problems related to our consumption structure and to the reform in this structure. If we fail to attach due importance to the reform in our consumption structure or to earnestly and satisfactorily carry out this reform, it will not only affect the solution of the problems related to consumption, but we will also find it difficult to match our consumption structures with our production, circulation, and distribution structures and thus hinder the structural reform in our whole national economy.

3. Problem of the Selection of Consumption Patterns

The key to the reform in our country's consumption structure is to correctly select future consumption patterns, in other words, to decide a target consumption patterns. Once we have solved the problem relating to consumption patterns, we will have decided the strategic goal for the reform in our consumption structure and thus have a clear orientation in the reform concerning other consumption problems.

What do we mean by a consumption pattern? There is a view that holds: a "consumption pattern denotes the characteristics and quantitative rules of the consumption of a certain society in a certain period, including the rules, quantities and development trend of the mode, structure, and level of consumption." (Footnote 1) (Editorial Group of 16 southern colleges for "Political Economy Textbook": "Political Economy (socialism section)," p 429, Sichuan People's Publishing House, 1982 edition. Another view holds: A consumption pattern is the rules and guiding principles that in a certain social mode, people must follow in the sphere of consumption. It guides people's consumption activities and makes a theoretical summary to decide whether or not people's consumption behavior is 'satisfactory' or 'unsatisfactory' on the ground of judging their social value." (Footnote 2) ("Socialist Consumption Economics," edited by Yin Shijie, pp 301-302 Shanghai People's Publishing House, 1983 edition) The former view regards a consumption pattern as being identical to the characteristics and quantitative rules of consumption, the contents of which also include many concrete rules. Obviously this view fails to grasp the connotation of the concept of a consumption pattern. The latter view limits the concept of a consumption pattern to the rules and guiding principles that people must follow. The connotation is a bit too narrow. I think that a consumption pattern is not identical to consumption itself, nor is it a general term for all consumption problems or identical to a consumption system. Nor is it another name for a consumption system. It is the most basic and most important part of a consumption structure and is the main frame, basic rules, and major principles of a consumption structure. A consumption pattern must mainly encompass the consumption policy decisionmaking system, the consumption readjustment system, the decisionmaking power of consumers, the interests of consumers, and the social organizations of consumers. There are quite a few rules and guiding principles that must be followed in the sphere of consumption. If we include all these rules and principles in our consumption pattern without making a distinction between major and minor ones, we will probably make our consumption pattern exist only in name. Our consumption pattern can only include the most basic and most important consumption rules and guiding principles and of these rules and principles, some must be observed by individuals and some must be implemented by the state, departments, areas, enterprises and units. Stressing the former and overlooking the latter is not a sufficiently all-round approach.

Is there a fixed and unchanged consumption pattern under a socialist system? Some people hold: "Owing to different social and economic conditions, natural conditions and historical background, in different countries of the same social system, people's consumption has the characteristics of their own nations," but we "cannot regard these characteristics determined by concrete national conditions as differences in these countries' consumption patterns," "because since they all belong to the same social mode, they are consumption patterns of the same type," "therefore, all the basic principles and rules related to consumption, in other words, all the consumption patterns in various socialist countries are basically identical." (Footnote 3) (Ibid 302, 304) Another view holds: "Consumption patterns vary as countries vary. Even in the same country, the consumption patterns are not entirely identical for different periods in the development of that country's history." (Footnote 4) (Wang Dingguo and Zhang Bihui: "A Simple Discussion on the Coordinated Development of Economic and Consumption Structures," JIANGXI SHEHUI KEXUE [Jiangxi Social Sciences], Issue No 1, 1983) A country's consumption pattern is not only

determined by the level of development of its social system and economy, but is also affected by geographical environment. Therefore, we should neither copy the consumption patterns of other socialist countries nor those of capitalist countries," and "should establish our country's own consumption pattern." (Footnote 5) (Ma Hong: "Only Socialism Can Enable All Laborers to Lead the Best and Happiest Life," JINGJIXUE DONGTAI [Development in Economics], Issue No 8, 1981) Judging by the over 60 years of history since the birth of the socialist system, the latter view better conforms to the reality. Different consumption patterns have indeed emerged under the socialist system. The supply system of the period of wartime communism in the Soviet Union, the supply system implemented in the liberated areas in our country, and the supply and semi-supply system during the period of the "Great Leap Forward" in our country were greatly different to the existing consumption patterns in various socialist countries, the former three being highly centralized consumption patterns. At present, the consumption patterns of various socialist countries are not identical either and each has its own advantages. From the viewpoint of the consumption policy decisionmaking system and the consumers' decision-making power, consumption patterns can be roughly divided into two categories: centralized and decentralized consumption patterns. It is not possible even for the consumption patterns of a certain socialist country during its developed and underdeveloped periods to be identical. There is no fixed and unchanged consumption pattern under the socialist system. This requires us to proceed from our national conditions and pay attention to selecting the consumption patterns that conform to the reality in our country.

As regards the target consumption pattern for our country, I am not yet able to put forth any concrete pattern as I have failed to make a sufficient and deep study of it. However, I can roughly depict its outline and point out some of its basic characteristics. This will be conducive to the reform in our consumption structure in the future.

Our country's target consumption pattern probably has the following basic characteristics:

First, it has a multitier consumption policy decisionmaking system consisting of the tiers of the state, the enterprises, and the laborers as individuals. In this pattern enterprises and consumers as individuals have relatively great consumption decisionmaking power. For example, in the sphere of material consumption activities, for a certain period of time, the rate of increase in the consumption level of the people all over our country, the proportion of consumption funds in our national income, the proportional relationship between the consumption of the society and collectives and that of the individuals, the relationship of disparity between the living standards of workers and peasants, the relationship of disparity between the living standards of mental and manual laborers, the relationship between central and local consumption, the difference between the living standards of the residents in various areas at home and so on should be determined by the state in its centralized policy decisions, which should be implemented through corresponding measures adopted by the state. In the sphere of service consumption activities, under the precondition of observing the state's unified program and decrees, our enterprises can independently make policy decisions on their

consumption activities, including the pooling, distribution, and spending of their consumption funds, while our consumers are no longer restricted by coupons or by the production administration and management system and have the power to make a free choice concerning the consumption of their families and of themselves as individuals, including the power to decide what to consume or not to consume and how much to consume related to their food, clothing, articles of daily use, housing and traffic. Thus our enterprises and individuals will have greater consumption decisionmaking power. Our vast numbers of laboring people will not only be masters in the field of production, but will also truly become masters in the field of consumption.

Second, it has a readjustment system that combines planning with the market and the consumers will rely more on the market. As our rural commodity economy develops rapidly, the peasants in our country will thoroughly change the lifestyle of thousands of years of self-sufficient natural economy and become people who live in a commodity economy. In our cities, as the supply system and the coupon system are thoroughly abolished and as our price reform is carried out, some kinds of consumer goods will continue to become commodities (for example, residential flats will become commodities). Then our market will play an even greater role in regulating the consumption patterns of our staff and workers and their family members. While conducting market readjustment on our microconsumption, we should conduct planned management over our macroconsumption. The state should draw up relatively integrated and mutually dove-tailed long-term livelihood consumption plans, put forth major guidance targets on livelihood consumption, and issue these plans and targets to various departments and areas for reference and implementation. The realization of these targets mainly depends on the application of various kinds of economic levers. For example, the retail prices of commodities, personal progressive income tax, bonus tax and other consumption taxes will play a relatively great role in realizing macroconsumption plans.

Third, the various kinds of economic interests organically combine in the sphere of consumption. Economic interests exist in the consumption sphere as well as in the production, circulation, and distribution spheres. Moreover, it is precisely in the process of consumption that various kinds of economic interests can finally be realized. In the sphere of consumption, there are the interests of the producers, circulators, and distributors and the consumption interests of different consumption subjects such as the central authorities, localities, departments, enterprises, and units. Fundamentally, these interests are consistent, but there are differences and contradictions between these interests. In solving these contradictions, we should oppose both the practice of placing one-sided emphasis on the consumption interests of the state and neglecting the consumption interests of collectives and individuals and the practice of placing one-sided emphasis on the consumption interests of the collectives and individuals and neglecting the consumption interests of the state. We should appropriately combine the consumption interests of all sectors. We should carry out a resolute struggle against the malpractice of producers, circulators, and some administrative units and individuals of encroaching on the interests of consumers. We should adopt economic, legal, and administrative means to earnestly ensure the interests

of consumers. During the past few years, we have approved and implemented food hygiene law, medicine administration law and other laws and begun to secure some achievements by doing so. In the future we will promulgate an even larger number of laws to protect the interests of consumers.

Fourth, it has an integrated set of mutually coordinated organizations of consumers. If our production, distribution, and exchange are all well organized, it will certainly hinder the realization of the goal of our socialist production. At present, some of our retail shops and service shops frequently indulge in the malpractice of disguised price rises and passing off defective goods as sound ones to cheat and encroach on the interests of consumers; some restaurants, canteens, and bathhouses have poor hygiene conditions; and some factories release waste water, gas, and materials that are harmful to people's health. Few people are dealing with these problems. If we have consumer organizations to fight against these malpractices on behalf of our consumers, we will certainly be better able to achieve the goal of socialist construction. We should encourage a large number of retired staff and workers, housewives, and amateur activities to establish and perfect a variety of consumer organizations and thus provide an organizational guarantee for the rights of the consumers. Our consumer organizations mainly have two tasks: On the one hand, they should fight various malpractices that harm the interests of consumers and earnestly safeguard the rights of our consumers; on the other hand, they should transmit consumption information, popularize the advanced skill and experiences related to food, clothing, accommodation, articles of daily use, transport, and medicines that benefit people's physical and mental health, and help those consumers who are in difficulties such as old, weak, sick, crippled or pregnant people, to solve their various kinds of problems. Consumer organizations have already emerged in large numbers in some developed countries and have also begun to emerge in our country. We should support them and help them to grow and be popularized more quickly.

Fifth, the economic management and consumption forms in the sphere of consumption are diversified. In order to solve the problem of our lives being monotonous and rigid, and in order to make our lives rich and diversified, we must vigorously advocate diversification in the economic, management, and consumption forms in the sphere of consumption. Mass consumption undertakings should be run by collectives and individuals as well as by the state. Concerning the methods of running these undertakings, we should encourage people to display their skill and talents freely. We should encourage and strengthen the social and collective consumption methods and also pay attention to improving the methods of family and individual consumption. For example, regarding the methods of cooking, we should preserve and develop traditional cooking skills, and also absorb the strong points of Western cooking; and we should encourage the production of local specific food and also produce food with the flavor of other areas. The Chinese nation has a fine tradition of eating and drinking, its cuisine is unique in the world, and its cooking skill is extremely fine. Therefore, our country is provided with sufficient conditions for developing new varieties of food day by day and providing increasingly better food for its people. As for clothing, there should not be just a few fashions such as Chinese tunic suits, students' tunics and cadres' tunics and

there should be other colors besides black, blue and grey. We should vigorously encourage people to diversify and beautify their clothing. The designs of our residential buildings are too monotonous. We should improve the designs and turn our residential buildings into objects of art, and we should make them beautiful outside, and comfortable and convenient inside. In order to make our cultural life healthy, rich, and diverse, we should steadfastly implement the principle of letting a hundred flowers blossom and a hundred schools of thought contend, vigorously encourage various artistic forms and in particular satisfactorily run the television, radio broadcasting, film, theatrical and other undertakings that are related to the mental lives of millions of people.

Of course, in moving from the current consumption pattern to the above-mentioned target consumption pattern, we should carry out many reforms. As the length of this article is limited, it will not expound on them.

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ECONOMIC MANAGEMENT

PRC PAPER ON THROES OF REFORM, USE OF ECONOMIC LEVERS

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[Article by Zeng Guoxiang [2582 0948 4382]: "Comprehensive Use of Economic Levers in the 'Throes' of Economic Reform"]

[Text] At present, our country is in the throes of economic reform. Whether we can effect a smooth transition from the pattern of a traditional highly concentrated planned economy to one of a socialist commodity economy guided by state plans depends chiefly on level and ability in comprehensively using economic levers to regulate the operation of macroeconomics in a flexible and effective manner.

If the operation of macroeconomics is equated with that of a giant machine, then the economic levers or economic mechanisms are the driving force, connecting lever or lubricant for the operation of machinery. Economic levers that we often talk about include chiefly pricing, wages and bonuses, profits, taxation (tax rates), credit (inz kylqrbbyk), money supply, foreign exchange rates, and so forth. The aims in our comprehensive use of economic levers, or the goals in our comprehensive use of economic levers to regulate the operation of the economy, are: 1) promoting the steady growth of the economy; 2) avoiding a sudden rise in the overall price level, or inflation; 3) maintaining a proper balance between individual and social consumption and the investment in fixed assets, to avoid excessive consumption or excessive investment.

To learn how to use economic levers comprehensively, we must first analyze the relations among several main economic levers.

The state of performance and margin of fluctuation of the overall market price level and the rate of inflation (the rate of growth of money supply) are a comprehensive reflection of the general trend, showing whether or not the economy is operating in a healthy manner. If a proper balance is maintained between the rise in the overall price level and the rate of growth of money supply on the one hand, and the rate of growth of national income and the rate of growth of labor productivity on the other, then the operation of macroeconomics can, on the whole, be regarded as a case of balanced development, not causing an economic shock affecting the whole situation.

... directly affecting the overall market price level is the ratio of the total commodity supply to overall demand. Among the indirect factors are the amount of money in circulation, the total amount of foreign trade, and so forth. Also, among the factors affecting the amount of money in circulation are the annual growth of money supply, government rates, foreign exchange rates, and so forth. These factors do not operate in the operation of the economy separately, but combine organically to affect the operation of the economy as a combination of forces, or a system. The mechanism described by a particular factor acts on not only this, but also that aspect of the economy in its operation. As far as a given factor is concerned, it may have a positive effect and a negative effect at the same time.

When an enterprise is concerned, the main factor affecting the price of a product is costs, including the consumption of raw and other materials and energy, wages, bonuses, and other production expenses, and so forth. Of course, the price is ultimately determined by the necessary amount of social labor embodied by the enterprise on its product, the relationship between supply and demand, and the competitiveness in the commodity market. In normal circumstances, an enterprise with great competitiveness will sell its own products at the average market price level, or dump its own products below the average price level, in order to strengthen its market competitiveness. Once the market is monopolized, it can also sell its products at monopoly prices, in order to obtain monopoly profits or excess profits. Such a practice is the part of a competition mechanism common under market economic conditions.

In a planned economy in planned commodity economy. It is still necessary for the state to set concrete planned prices for a small number of products. The high or low level of planned prices directly affect enterprise profitability and thus total enterprise profits. High or low total profits also have a decisive effect on the wages, bonuses, and collective welfare of enterprise workers. From this point, we can see that the level of enterprise profitability determined by state planned prices. For enterprises subject to planned prices, the level of enterprise profitability alone cannot form the basis of judgment about the good or bad state of enterprise production and operation. For example, for two competing enterprises following market prices, one enterprise is actually producing the high or low level of profitability determined by the enterprise's competitiveness and its level of production or operation. Therefore, state planned prices are generally incapable of being greatly utilized to regulate the income differences between enterprises following planned prices. To regulate the income differences between enterprises following planned prices, measures of controlling price, regulating taxes or product taxes or fixed income differences, regulating income between enterprises.

For state control of the factors of enterprise wages, it is undoubtedly necessary to control wages with positive and negative feedback over to the higher level and lower level of a planning system, but also the effect of pricing and other factors. For example, wages, as a current help taking the factor of planned prices, is a factor of a planned price of wages linked with profits and losses. For enterprises with planned prices, the state should set total wages linked with profits and losses, and those with planned prices should set total wages linked with profits and losses.

low side, and thus relatively small profits, should set such total wages appropriately higher. But no matter what kind of enterprise, the growth of its total wages and bonuses must be kept within proper limits and should be lower than the growth of its labor productivity and also lower than the growth of its profits and taxes handed over to the higher levels. After the vesting in enterprises of power to decide on matters of production, operation, and distribution, we must strictly control the growth of consumption funds and especially guard against "competition" among enterprises in matters of wages and bonuses. A steep rise in total wages and excess consumption would, on the one hand, send the prices of consumer goods up, and, on the other, easily induce inflation.

In comprehensively using economic levers, we now urgently need a comprehensive department to take the lead in organizing forces in relevant quarters. The aim is for such forces to study systematically and comprehensively how to formulate implementation programs for the comprehensive use of economic levers during the period of the Seventh 5-Year Plan--programs centering on enlivening enterprise production and operating activities and stabilizing the overall market price level. Thus, the restructuring of prices and wages started this year can be stimulated to proceed smoothly. The readjustment of the composition of investments, the industrial structure, and the product mix, in particular, chiefly rely upon the regulation of such levers as taxation (tax rates) and credit (interest rates). Some major reform programs for readjusting prices, wages, interest rates, and tax rates must be built on the basis of quantitative analysis. For example, the restructuring of wages and the growth of total wages this year will naturally cause a rise in the prices of certain consumer goods. The government should use the levers of taxation (tax rates) and credit (interest rates) to encourage on a selective basis the production and circulation of certain market consumer goods that are in extremely short supply, and enlarge the supply of commodities. Thus, the strength sustaining a rise in the prices of these consumer goods can be practically offset. Particular attention should be paid to encouraging the production of brand-name and quality durables and to expanding enterprise production capacity for these products as quickly as possible. The pattern of consumption on the part of urban and rural residents as changed. There is a trend toward a drop in the proportion accounted for by food, while the proportions represented by clothing, articles for use, and housing are tending to grow. In line with this trend, we should expand the production of household electrical equipment and quality furniture and the production of general construction materials, new-type construction materials, and materials for interior decoration, and firmly and unwaveringly carry out the commercialization of residential housing, developing production and satisfying the people's ever-growing material and cultural needs in their lives.

In comprehensively using economic levers, we must change the situation of the levers of pricing, wages, credit, and taxation each acting on its own to take charge of a given segment. In studying and defining a program for the reform of any of these levers, we must pay attention to what other levers have to do with this reform. We cannot seek a "one-sided" reform, taking care of one field and leaving others alone. In line with the need for the economic system to change from a traditional pattern to one of a planned commodity economy, the

regulating role of the function of making allocations for spending in the money market must be appropriately weakened a little and the regulating role of bank credit in the money market must be appropriately strengthened. The People's Bank of China should realistically carry out the functions of a central bank or a bank of banks, and strictly control the annual amount of money issued. It must also have these functions firmly carried out at the provincial, municipal, and autonomous regional levels, one by one, and cannot freely break away from them. It must control the total annual amount of credit granted by specialized banks, apply the system of reserve funds to specialized banks, and fix the margin of fluctuation of their floating interest rates. It must properly seek an overall national balance between revenue and expenditure, between amounts received and paid out in credit funds, and between foreign exchange receipts and payouts, providing favorable conditions for the comprehensive use of economic levers.

In comprehensively using economic levers, we must formulate plans for the development of main industries and appropriately lay down relevant economic and technical policies. On the basis of plans and economic and technical policies for given industries, we must again appropriately define concrete programs and ways for using economic levers as means of comprehensive regulation, giving play to the role of economic levers in comprehensively regulating the operation of the economy. Only in this way can the concrete goal of the comprehensive use of economic levers in regulating the operation of the economy be made clear. And only in this way can there be a basis for assessing the results of the application of economic levers in the process of regulation.

The operation of the economy is a complicated process. There are permeating, restraining, and interacting effects between various economic levers. These effects do not simply involve relations of one waning and another [] the course and strength of a combination of effects being always in a state of a certain trend and always in the state of a certain movement. Therefore, we cannot resort to a simple method of logical deduction, making subjective judgements and prescribing the course and extent of the effects of one or several economic levers. The comprehensive use of economic levers must be oriented toward to the active money market and the realities of the material supplies market, guiding and regulating the course of the movement of capital and also the supply of commodities and their demand, and stimulating the planned and balanced development of the money market and the commodity market.

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ECONOMIC MANAGEMENT

JINGJI GUANLI ON SEPARATING OWNERSHIP, MANAGEMENT

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[Article by Xin Tianci: "On the Separation of Ownership and Management Under Appropriate Conditions"--edited by Liu Qibang]

[Text] 1. The Question Submitted and Its Answer

The question of whether ownership and management of socialist enterprises owned by the whole people can be appropriately separated was seldom discussed in the past. Many people even think that it is only natural for the ownership and management of state-owned enterprises to be concentrated in the hands of the state, and the question of whether ownership and management should be separated does not exist. During the 30-odd years since the founding of the PRC, our state-owned enterprises have been directly managed by state institutions; that is, enterprises have been established by the state, their staff (including cadres) have been assigned by the state, funds have been appropriated by the state, plans have been drawn up by the state, products have been purchased by the state, prices have been set by the state, and responsibility for profits and losses has been assumed by the state. Under those circumstances, enterprises had little power in management and decisionmaking. Thus, "ownership and management" have been closely combined. Take, for example, the rural communes and brigades owned by the collective which represent another form of public ownership, with the means of production owned by the collective. In a laborer collective, the laborers jointly own the means of production and jointly operate and use them. Therefore, some people think that in enterprises owned by the collective, the question of separation of ownership and management is even more nonexistent.

Since the 3d Plenary Session of the 11th CPC Central Committee, the system of contracted responsibility for production with payment linked to output has been widely implemented in rural areas. The most essential means of production, namely land, is still owned by the collective, but has been contracted to various forms to individual households for management and cultivation, thus giving rise to the question of separation of ownership and management. This has raised an acute question for theoretical circles: With socialist public ownership, can the ownership and management of the means of production be separated? Will this separation weaken socialist public ownership? Will this separation lead to retardation? For a considerable period of time, people have not had a united understanding on this question. Some articles have

have a good understanding, and they think that "they have been working hard for 3 decades, but the situation has deteriorated overnight to what it used to be before the liberation," a saying which is nevertheless erroneous.

Later, the contract system was introduced even in cities. Some state enterprises have implemented the contracted responsibility system in connection with management, and the call for enlarging decision-making power with regard to management of enterprises has grown louder and louder. Now, the question of separation of the "two powers" in enterprises owned by the collective has been extended to enterprises owned by the whole people. Can the "two powers" be separated? How should they be separated? Those comrades who think that the "two powers" of state enterprises should not be separated base their opinion mainly on "three worries": First, that separation of the "two powers" will change, or at least weaken, the nature of ownership of the enterprises, which should be owned by the whole people; second, that the planned economy will be jeopardized; and third, that enterprises may "overstep the bounds" for the sake of their individual interests. Some comrades also think that state enterprises are, after all, not the same as collective-owned enterprises, and that if one says that the "two powers" can be separated in collective-owned enterprises, so far as state enterprises are concerned, it should be more appropriate and "water" to speak of "enlarging the decision-making power of enterprises" than to speak of separating the "two powers."

Now, we have obtained a scientific answer to this question. The 3d Plenary Session of the 12th CPC Central Committee analyzed the present economic and political situation of our country; summed up the positive and negative experience in the socialist construction of our country, in particular the experience in the past few years' reforms in the economic systems of urban and rural areas; and pointed out in the "Resolution" that "the two powers of ownership and management can be appropriately separated from each other according to Marxist theory and socialist practice." Seeing this point clearly has great importance with regard to both theory and practice.

II. Theoretical Basis of Appropriately Separating the "Two Powers"

As is well known, Marx pointed out while analyzing how capital that the emergence of large capital brought about the separation of ownership and right of disposal of capital. Large capitalists in possession of capital did not use their capital themselves, but lent it out to functional capitalists for investment. "The same capital is governed by two stipulations." (DAS KAPITAL, Vol. I, p. 488) Marx also further analyzed the dual character of capitalist enterprise management, saying: "Capitalist production itself has brought about the situation in which management labor, which is separated from capital ownership, is nevertheless to be paid. As a result of this, capitalists no longer have to perform such management labor themselves." (DAS KAPITAL, Vol. I, p. 479) That is to say, a capitalist owns an enterprise, but he can employ a manager and endow him with administrative power, thus relieving himself of the activities of management labor and supervisory labor. Seeing a manager is like seeing the conductor of a band, and "a blind conductor absolutely does not have to be the owner of the musical instruments of the band." (DAS KAPITAL, Vol. I, p. 479) Thus, it can be seen that Marx thought that, in

capitalist society, ownership on the one hand and the right of disposal and management on the other can be separated, and that such situations were everywhere "to be found."

Marx and Engels also produced scientific projections and discussions regarding the development of human society and economic relations in future societies. They thought that ownership by society as a form of ownership system would finally emerge and replace capitalist private ownership, that is to say: "capitalist ownership, which is based on collective production, can only change into ownership by society." ("Complete Works of Marx and Engels," Vol 19, p. 132) "Society will become the owner of all means of production." ("Complete Works of Marx and Engels," Vol 20, p. 318) Here, by "ownership by society" Marx and Engels meant the direct ownership of all means of production by society. This form of "ownership by society" would be the form of ownership in the higher stage of communism; it was mentioned at the "ultimate goal" of the proletariat.

In 1875, Marx pointed out in "Critique of the Goethe Program": "Between capitalist and communist society lies the period of the revolutionary transformation of the one into the other. Corresponding to this there is also a political transition period in which the state can be nothing but the revolutionary dictatorship of the proletariat." Society in this period would be the lower stage of communist society--socialist society. Marx and Engels also put forward the thesis that, in this period, as a result of the fact that "it is impossible, at one stroke, to raise the productive forces from their present level to the level necessary for the establishment of public ownership," (Selected Works of Marx and Engels, Vol 1, p. 219) society, therefore, must not and cannot take direct possession of all means of production immediately, but "the means of production will change into state property," bringing into being ownership by the state.

Regarding the question of the system of state ownership, Marx and Engels considered the adoption of the form of cooperative production. This idea was not only mentioned in the article "On the Question of Living Accommodation," but was also discussed further by Engels in 1886 in "A Letter to August Bebel." He said: "It is possible 'to hand over leasing out as a first step large land estates to cooperatives managed independently under the leadership of the state.'" He also suggested: "It is demanded that cooperatives be spread to the present production. This is just like the Paris Commune demanding that the workers should operate, in a cooperative manner, factories closed by the entrepreneurs, as regards the transition to complete communist economy, we must adopt cooperative production on a massive scale as a middle link. Marx never had any doubt about this. But things must be so managed that society (the state in the first stage) will retain ownership of the means of production. In this way the special interests of the cooperatives will not prevail over the general interests of the whole society." ("Complete Works of Marx and Engels," Vol 16, p. 418) Put briefly, Marx and Engels thought that, in the stage of socialism, provided that "society (the state in the first stage) retains ownership of the means of production," means of production owned by the state can be handed over to "cooperatives" to be "managed independently." That is to say, ownership and management can be appropriately separated from each other.

The practice of socialism has proved that "if the state institutions were to directly administer and manage various kinds of enterprises owned by the whole people, it would be very hard to avoid serious subjectivism and bureaucracy, with a consequent suppression of enterprise vitality." China, and some East European countries, after a number of years of experience, feel deeply that the model of direct control over the enterprises by the state, copied from the Soviet Union, should be reformed. Yugoslavia began to give enterprises "decision-making power" in the 1960's. Hungary, Bulgaria, Romania, and some other countries also began to expand the decision-making power of the enterprises in varying degrees from the 1970's. Some countries, such as Hungary, even implemented the contract system and lease system in the enterprises. All this was done on the basis that ownership and management can be appropriately separated. Production in the rural areas of China has developed and prospered at great speed primarily because we have boldly done away with the "leftist" shackles and have comprehensively implemented the system of contracted responsibility for production with payment linked to output. In recent years, the state-owned enterprises of China have gradually expanded the decision-making powers of enterprises, implemented various forms of the system of contracted responsibility for production with payment linked with output and have achieved very good results. All this can forcefully demonstrate that ownership and management can be and should be appropriately separated.

III. Have a Correct Understanding of the Content and Meaning of the Appropriate Separation of the "Two Powers"

Under socialist conditions, ownership and management are separated from, yet linked to, each other. The "two powers" can be separated, but should not be totally separated. Instead, they should be "appropriately" separated. The suggestion of "appropriate" separation is correct because:

1. Ownership is the most essential aspect of social relations of production. It determines the nature of a social system. The reform of the economic structure will not change the nature of state-run enterprises owned by the whole people, nor will it turn ownership by the whole people into "ownership by the enterprises." We have allowed the "two powers" to be appropriately separated on the premise that state-owned enterprises are owned by the state, while enterprises are "subject to the planning and management of the state." In doing this, the enterprises can be further enlivened and the nature of enterprises owned by the whole people will not be changed.

2. Since the proletariat and the whole people have obtained political power, exercising leadership in and organizing economic construction has been one of the basic functions of the state institutions. Appropriate separation of the "two powers" means that the state should not only own the enterprises, but should also be able to exercise the necessary management power. As is pointed out in the "Decision": "The socialist institutions must manage, inspect, guide, and regulate the activities of the enterprises; as is necessary, through planning and by economic, administrative, and legal means; the state must use taxation and other means to concentrate in its treasury that part of the enterprises' net income which should be used by the state in a unified way; it must designate, appoint, and remove the principal leading members of the

enterprises or approve their employment and election; and it must decide on the establishment of enterprises, their removal to other places, their switching over to other lines of production, their merger with others, their expansion of operations, or their closing down." This means that the state, too, through various devices, directly or indirectly, takes part in management, and the state has the management and operating power, as well as decision-making power, at the highest level.

1. In socialist society, the staff of state-owned enterprises are laborers as well as masters of the means of production. Therefore, owners and operators are not antagonistic toward each other. It is as the representative of the laborers that the state holds the ownership of the state-owned enterprises. State-owned enterprises, as a labor collective of laborers, do not operate means of production owned by other people, but operate those owned by themselves and the whole society. Therefore, we cannot say that enterprises are merely operators, and that they only have the power to operate, but no power to own. In this sense, too, the ownership and management of state-owned enterprises cannot be totally separated.

The scientific conclusion of the "decision" on the appropriate separation of ownership and management of enterprises not only substantiates the theories of Marxist political economy and scientific socialism, it is also of great significance in accelerating the reform of the economic structure and the construction of socialist modernization. "Enhancing the vitality of the enterprises is the central link of the reform of the economic structure." To enhance the vitality of the enterprises, we must first of all correctly handle the relationship between the state and the enterprises. In this sense, we can also say that appropriate separation of the "two powers" means grasping the central link of the reform of the economic structure. Appropriate separation of the "two powers" will effectively change the past situation in which the state exercised excessive and rigid control over enterprises, and will greatly enhance the vitality of the enterprises, so that the enterprises should truly be relatively independent economic entities and should become producers and operators of socialist commodity production that are independent and responsible for their own profits and losses. The appropriate separation of the "two powers" will press the state institutions to conduct reform in line with the principle of separating the functions of government and enterprises, streamlining administration, and instituting decentralization, to change the past situation of taking somebody else's job into one's own hands, and to shift attention to strengthening the management of macroeconomy and orienting the work toward the development of production and enterprises. They will also enable them to exercise effective control over major issues while allowing flexibility in minor ones. As the "decision" points out: "This is the way to ensure both unity and vitality in the growth of the national economy as a whole and the diversity and flexibility of individual enterprises in production and management, as well as their desire to make progress. Instead of weakening socialist ownership's control over the whole people, this will contribute to consolidating and improving it." This will greatly accelerate the socialist modernization of our country.

23 May 1985

ECONOMIC MANAGEMENT

SHASHI CITY DEVELOPS AS RESULT OF REFORM

OW021040 Beijing XINHUA in English 0737 GMT 2 Apr 85

[Text] Shashi, 2 May (XINHUA)—Shashi City, known as a "rising star" across the Jiangnan plain in central China's Hubei Province, is catching up with industrialized cities elsewhere in the country, underpinned by its well-developed light and textile industries.

Shashi, one of the ten major ports along the Yangtze River, now sells 60 varieties of its products to more than 70 countries and regions.

The city's textiles account for 80 percent of its industrial output value. The resource-rich Jiangnan plain provides ample supplies of cotton and grain.

The annual economic growth rate has been 16 percent for the past few years.

The state council in 1978 opened Shashi which has a population of 240,000 to foreign business people and tourists. In 1981, Premier Zhao Ziyang gave it the go-ahead to test the reform of economic set-up which started nationwide early this year.

Shashi has 322 industrial concerns turning out a wide assortment of products, including clothing, bed sheets, carpets, vacuum flasks, machine tools, refrigerators and meters and instruments. Exports last year came to 140 million yuan.

Shashi turned into the state 890 million yuan of profits and taxes between 1979 and 1984. This was 2.5 times investment for the period.

This year, the city plans to focus on food processing, in a bid to meet growing market demands.

The city is able to negotiate technical imports and cooperation projects up to 1.5 million U.S. dollars directly with foreign firms without consulting higher authorities. More than 20 million U.S. dollars of such contracts were signed last year.

The workers benefit directly from increased production under the reforms. A worker's bonus averages 28 yuan a month at the No. 1 machine tool plant.

Statistics for last year show that 83 percent of the households have TV sets, 82 percent electric fans and 37 percent washing machines.

The city's four roller skating rinks attract mainly middle school students until closing time at 10:30 in the evening. Young people in their twenties prefer dancing.

CSO: 4066/582

23 May 1985

ECONOMIC MANAGEMENT

GUANGMING RIBAO ON NATURE, PURPOSES OF ECONOMIC LEVERS

RED10301 Beijing GUANGMING RIBAO in Chinese 27 Apr 85 p 3

[Article by Qiao Gang [0829 0474]: "The Nature of Economic Levers and the Purposes of Using Them"]

[Text] Some comrades hold that economic levers have a dual nature, economic and administrative. In readjusting the relationships of economic interests, they express their economic nature; as they are drawn up by the state and implemented through administrative means, they have an administrative nature. Such a view has confused the properties of economic levers with their specific application; and these are two different matters.

Economic levers are linked to the process of social production and reproduction. Their existence is preconditioned by the function of readjusting the interests between various groups or individuals in the social economic process. Therefore, in all societies, economic levers only have an economic property, not an administrative one. As to whether economic levers are drawn up and issued by the state for implementation, or are set up through independent negotiations between the parties concerned (such as enterprises) involved in economic activities, the question is one of how economic levers are applied, not one of their nature. Under conditions of socialism, the application of the administrative nature of economic levers is an important aspect; however, it is not the whole one.

Under the condition of socialist planned commodity economy, the purpose of economic levers is to enliven the economy, and to link the unification and flexibility of planned economy. This is because every different stage has its own economic contents. The chief problem in the form of China's economic structure at present is how to enliven the enterprises. Therefore, the design and application of economic levers should be conducted under the premise of maintaining the basic equilibrium of the macroeconomy, to achieve the goal of enlivening the economy by means of appropriate handling of the relationship between the state and the enterprises. Therefore, in the specific design and implementation of economic levers, many practical problems remain difficult to appropriately solve. Take the reform of the price system. On the one hand, the demand of the purchasing and marketing prices of some agricultural and sideline products and the price readjustment in some energy resources will notably increase pressure on the enterprises. Appropriate application of

these measures will stimulate the enterprises to reduce production costs and consumption and to raise productivity; at the same time, it is unavoidable that some negative effects will be brought about in the people's living standard. In some respects, the difficulty can be solved by means of compensation measures, but in other respects, no such measures can be found. Therefore, the question arises here of how to handle the relationship between giving consideration to two or three aspects and the focus. Giving consideration to two or three aspects must not impede the focus. For example, in order to avoid big price rises, the price readjustment in production means should be gradually solved step by step in a planned way, and pressure on enterprises should be gradually stepped up in order to achieve the aim of promoting the output of production means and practising economy. If the focus is not made explicit, it will be very difficult to start drawing up an all-round plan for economic levers, while economic levers will fail to bring into play their functions.

CSO: 4006/582

ECONOMIC MANAGEMENT

HEILONG FORUM ON REFORM OF URBAN ECONOMIC STRUCTURE

HA/2/1018 Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 18 Apr 85

[Text:] Beginning today, the provincial government is holding a forum in Zhengzhou on reform of the urban economic structure. This forum is mainly conveying the spirit of the national forum on reform of the urban economic structure, summing up and exchanging information and experiences in reform of the economic structure, with the focus on the urban economy, in our province, analyzing the situation in reform of the urban economic structure in our province, studying the new situation and new problems emerging in the course of reform and the views on solution, and making arrangements for the next step in reform of the urban economic structure.

Attending this forum on reform of the urban economic structure throughout the province are the commissioners and mayors of all prefectural commissioner's offices and cities, the heads of 12 counties which have launched pilot projects, comrades of the committees and offices for reform of the economic structure at all prefectures and cities and the counties which have launched pilot projects, and reasonable comrades of all departments, committees, and bureaus, companies and banks at the provincial level, totaling some 750 people. Vice Governor Zhu Jingren presided over today's forum and spoke.

END: 0000/523

FINANCE AND BANKING

BEIJING STATISTICAL BUREAU BULLETIN ON 1984 DEVELOPMENT

HK011156 Beijing. BEIJING RIBAO in Chinese 8 Apr 85 p 2

[Beijing Statistical Bureau "Bulletin" on Beijing's Economy and Social Development in 1984]

[Text] In 1984, under the loving care of the CPC Central Committee and the State Council and under the leadership of the Beijing Municipal CPC Committee and the municipal people's government, the people in our city, with one heart and one mind, vigorously grasped the two major points of reform and the opening to the outside world along with the building of socialist spiritual civilization and material civilization, and scored important achievements, thus victoriously completing every task in celebration of the 35th anniversary of PRC. According to the initial statistics, in 1984 the total social output value was 38.4 billion yuan, a 10 percent increase over the previous year; the total industrial and agricultural output value was 31.57 billion yuan, a 13.7 percent increase over the previous year; the national income was over 15.2 billion yuan, a 10 percent increase over the previous year; and the average per-capita national income was 1,619 yuan, a 9 percent increase over the previous year. The main targets for national economy and social development, the total social output value, the national income, the investment in fixed assets, the retail sales of social commodities, the enrolment numbers for various schools, the total printed copies of publications, the output of major industrial and agricultural products, and so on, for 1985 stipulated in Beijing's 6th 5-Year Plan, which was approved by the 1st meeting of the 8th People's Congress of the Municipality, were all completed ahead of schedule.

1. Agriculture

The system of contracted responsibilities with payment linked to output in the suburban and rural areas was further refined, and commodity production developed quite rapidly. The total agricultural output value was 3.4 billion yuan, a 25.3 percent increase over the previous year. Excluding the industries run by villages (production brigades), the total agricultural output value was 1.85 billion yuan, an 11.9 percent increase over the previous year. Of the total agricultural output value, the increase in crop cultivation was 11.4 percent, there was no increase in forestry, animal husbandry increased 9 percent, fishery increased 110 percent, and sideline production increased 16.3 percent. Among the 14 suburban counties, the total agricultural output value

in the 2 districts and counties of Shunyi County, Changping County, Tangshan County, Tongshan County, Shijingshan District, Fangshan District and so on, doubled, as compared with 1980.

Due to the condition of decreased sown areas and successive years of drought, the grain output once again stored a new historical record, topping 4.35 billion jin, a 1.9 percent increase over the previous year. Among the 14 suburban districts and counties, the increase in Tangshan County and Shunyi County were over 15 percent.

Noticing the drop in the output of live pigs as compared with the previous year, the output of other domestic products still had a bigger increase as compared with the previous year. The main domestic food products are as follows:

	1986 actual grain	percentage over 1985
grain	6.74 billion jin	237.5
oil	1.75 billion jin	119.0
vegetable	20 million jin	183.2
fruit and fresh fruit	11.5 million jin	110.9
eggs	4.76 billion jin	109.5
live pigs	2.19 million head	97.5

Throughout the year, there were 185,000 mu of cultivated areas with 25,124,000 people planted along roads and rivers and moved villages and houses. In addition, more progress was made in the work of converting suburban uncultivated hills, and 1.1 million mu of private hills and responsibility hills were contracted, which was an increase of 45 percent over the beginning of the year.

With the development of commodity production in the suburbs, there was a transition from rural areas with an undeveloped speed, and industrial production has already become the main undertaking in the suburbs. In the last 5 years, there were over 16,000 township and town enterprises, which was an increase of more than 7,000 over the beginning of the year. The number of people who were engaged in handicrafts and business has already become more and more in the rural labor force. The output of the rural economy has already entered into the field of agriculture, forestry, animal husbandry, sideline production, industry, construction, trade, transportation, commerce, service trade, and so on, and its main rural output value has already exceeded two thirds of the total output value in rural areas. In the city and towns, the commodity output value of agricultural sideline products was 7.88 billion yuan, an increase of 35.6 percent over the previous year. The commodity rate rose from 77.5 percent for the previous year to 76.7 percent. The total income of collective economy was 1.8 billion yuan, an increase of 30 percent over the previous year, and the net income was 7.7 billion yuan, an increase of 28.5 percent. The state-run enterprises and institutions of industry, forestry, animal husbandry, fishery, farm machinery, power, railway, and so on, generally established the system of economic responsibility and entered into the market.

Both the possession of farm machinery and the electricity consumption of farm machinery had a relatively big increase. By the end of the year, the total power of farm machinery amounted to 7,938,000 horsepower, an increase of 11.1 percent over the previous year; there were 11,300 large and medium-sized tractors, an increase of 10.2 percent; there were 28,000 small and walking tractors, an increase of 21.3 percent over the previous year; 8,000 cargo-carrying vehicles, an increase of 29.9 percent; machinery for irrigation and drainage power was 952,000 horsepower, an increase of 3.8 percent; and electricity consumption in rural areas was 1.19 billion kilowatt-hours, an increase of 14 percent. Water conservancy management was improved, and the drought-resistant and flood-relief capability rose.

2. Industry

The total industrial output value of the city as a whole was 28.11 billion yuan, an increase of 12.4 percent over the previous year, greatly exceeding the 5 percent growth rate in the original plan. It was the fastest growth year in recent years. Including industries run by villages and production brigades, the industrial output value was 29.71 billion yuan, an increase of 13.8 percent over the previous year. Of the total industrial output value, the output value of heavy industry was 73.62 billion yuan, an increase of 14.7 percent over the previous year; and the output value of light industry was 12.35 billion yuan, an increase of 9.6 percent over the previous year. Regarding the output of 100 main products, 84 completed the yearly plan and 75 had an increase over the previous year.

The output of main products are as follows:

	1984 actual data	percentage over 1983
cloth	9,228 billion meters	91.9
woven goods	18,215,000 meters	104.2
knitting wool	7,337 tons	110.8
television sets	591,000 sets	142.9
of which: color sets	175,000 sets	181.3
tape recorders	506,000 sets	167.8
household refrigerators	103,000 sets	162.1
household washing machines	514,000 sets	116.1
marketable furniture	1,379,000 tons	117.7
beer	138,000 tons	123.7
raw wool	8,833,000 tons	105.7
generated energy	10.39 billion kilowatt-hours	50.0
processed crude oil	3,838,000 tons	104.3
steel	7,833,000 tons	113.1
rolled steel	7,001,000 tons	107.2
fertilizer	123,000 tons	92.8
plastics	871,000 tons	90.8
synthetic rubber	45,000 tons	192.4
microcomputers	12,000	183.1
motor vehicles	36,000	140.1
walking tractors	52,000	220.1
cement	2,003,000 tons	111.2

Eighty-eight products received state quality awards during the year, and this year we received the greatest number of prizes since the 31st Quality Award of the 11th CPC Central Committee. One hundred and eight-one products were elected high-quality ministerial level products, and 270 products were elected high-quality products of our city. The stability increase rate of quality targets for 93 main products comparable to those of the previous year reached 100 percent, and the quality targets of all the 110 main budgeted products met the budgeted requirements. This was the best record in recent years.

The total output value of locally-budgeted industrial enterprises increased 41.7 percent over the previous year, sale income increased 10 percent, and the realized profit increased 11.9 percent. Synchronized growth between the three figures was achieved. The turnover period for working funds was 111.2 days, 2.1 days shorter than the previous year. The full labor productivity of the industrial enterprises under the system of ownership by the whole people for the city as a whole was 19,607 yuan, an increase of 8.8 percent over the previous year and the fastest growth year in recent years. Per 10,000 yuan output value of every general industrial corporation consumed 2.96 tons of standard fuels, a decrease of 7.8 percent as compared with the previous year, the biggest decrease in recent years.

The reform in industrial enterprises is being smoothly carried out. Of the 1,139 industrial enterprises under the system of ownership by the whole people, 707 enterprises effected the newly introduced method of substituting taxes for profit delivery, 17 enterprises effected the contract method of handing over profits to the state on a progressive basis, 19 enterprises effected the method of assigning full responsibility for profits and losses, and 176 enterprises effected the method of profit retention.

4. Investment in Fixed Assets and the Building Industry

The capital construction front speedily built up a batch of important projects with high standards and results. Of the 30 key construction projects of the state started within the year, 12 projects completed their schedules according to progress inspections.

The investment in fixed assets topped 5.22 billion yuan, an increase of 15.6 percent over the previous year. Of this, the investment in capital construction was 3.61 billion yuan, an increase of 33.2 percent over the previous year, and the investment in technical projects was 1.61 billion yuan, an increase of 11.7 percent. Of the investment in fixed assets, the investment in residential housing was 1.02 billion yuan, an increase of 2.1 percent over the previous year.

There was a big increase in the investment in urban infrastructure, culture and education and public health, commerce and trade, and other trades. Examples of investment in major trades are as follows:

	1985 actual data	percent increase over 1984
urban infrastructure	0.58 billion yuan	156.1
culture and education and public health	0.39 billion yuan	168.1
commerce and trade	0.49 billion yuan	139.9
industry	1.82 billion yuan	118.7
agriculture and forestry, water conservancy and meteorology	0.15 billion yuan	111.7

Six hundred and ten capital construction projects were completed and commenced, accounting for 32.1 percent of the total construction projects. Room for the enrollment of 23,000 in colleges and universities and middle schools was added, and there were 2,950 new hospital beds. New hotels, like the Changcheng, Lidu, Jinglun, Xiyuan, Ziyu and so on, were completed and put into use, adding 3,100 rooms.

Technical transformation was further expanded, with investment topping 1.61 billion yuan, an increase of 41.2 percent over the previous year. Local enterprises completed 1.18 billion yuan, an increase of 33.2 percent over the previous year. Of this, the industrial investment was 0.74 billion yuan, an increase of 25 percent over the previous year.

Housing construction for the whole city reached 25,319,000 square meters, an increase of 20.5 percent over the previous year. Completed housing construction reached 8,187,000 square meters, an increase of 5.6 percent over the previous year. Of this, the residential area was 4.2 million square meters, showing a slight decrease as compared with the previous year due to an increase in proportion of high residential building and decrease in operational area.

Construction industry reform promoted the development of production. The total output value of the construction industry for the year was 4.34 billion yuan, an increase of 31.7 percent over the previous year. By the end of the year, there were already 70 enterprises adopting the method of assigning contracts to fix the amount of wages for every 100 yuan's worth of finished work, thereby making the initial change from the old method of purely adopting administrative means to command construction works. Within the year, 6,544 construction projects adopted the investment contract system, accounting for 41 percent of the total construction projects in the city. Of this, 40 carried out the contract bidding system, 4,224 adopted the method of contracting according to budgetary estimate or blueprint cost plus a percentage, 1,855 adopted the method of contracting according to square meter price, 343 adopted the method of contracting according to comprehensive price in smaller areas, and 52 adopted the method of contracting according to price of capability of individual units. Within the year, when 55 construction projects were put out to bid, several dozen enterprises joined the bidding and 13 enterprises won. Side

Because of the speedy development of construction reform economic results were

increased. The full labor productivity of construction enterprises under the system of ownership by the whole people topped 8,273 yuan, an increase of 27.3 percent over the previous year, and labor productivity within the system of general construction corporations topped 10,000 yuan.

3. Urban Construction and Administration

The construction of urban infrastructures developed most quickly since the founding of the country during 1984. The annual investment reached 0.58 billion yuan, an increase of 52.1 percent over the previous year. A batch of key projects were completed and commissioned before national day. The completion of the widening of 12.6 kilometer-long Changping road initially solved the long-time problem of traffic-jams from urban areas to Changping county. The second phase circuit subway was officially put into operation before national day of last year.

Public utilities were further developed. The sale volume of tap water for the whole city was 410 million tons, an increase of 1.9 percent over the previous year. Within the year, 51,000 households had gas piping installed, and the number of newly equipped households increased by 180 percent over the previous year, being equivalent to one third of the total households developed in the past 25 years. By the end of the year, the number of households using gas and liquefied petroleum gas reached 0.96 million households, which was an increase of 5.6 percent over the previous year. The rate of suburban residents using gas or liquefied petroleum gas in cooking rose from 68.6 percent of the previous year to 72.3 percent. During the year, the number of people carried by public transportation within the city was 3.24 billion passengers, an increase of 7.3 percent over the previous year. The number of public trolley-buses, buses (including subway cars) operating by the end of the year was 4,104, an increase of 6.2 percent over the previous year. Taxis developed very fast, and during the year 58 state-owned, collective-owned and individual-owned taxi companies were added, like Zhongbei, Guangda, Xiangyuan and, so on. The number of operating taxis reached 4,671, an increase of 43 percent over the previous year, and the difficulty of hiring taxis was more or less relieved.

The achievements of urban afforestation and beautification were outstanding. The goal put forward at the beginning of the year of building "a line, two rivers, ten parks, and fifteen streets" was basically realized after a year's effort. The afforestation and beautification of a 100-li-long street from Shoudu Airport to Shijingshan were initially completed; the harnessing and dredging work of Liangma He and Beihucheng He was completed; Shuangxiu Park, Binhe Park, Sanhai Park, and Tuanjiehu Park, which had been priority construction projects, have already opened to the public; and the fifteen streets like Chegongzhuang, Xiyilu, and, so on, all had a new look after afforestation.

There were 2.08 million trees planted in the suburban areas, the greatest number in recent years. Lawn areas reached 5 million square meters, an increase of 1.25 million square meters over the previous year. There were 15 sculptures newly built, and, moreover, to beautify the urban areas of the capital, two colorful fountains were built in Shoudu Airport and Gongzhufen.

Environmental sanitation was also greatly improved. Sewerage, garbage processing in the four urban districts was all put in containers and collected on a daily basis. Sewered-off areas reached 9.5 million square meters, an increase of 10 percent over the previous year. There were 114 public latrines built in each district, and the majority of public latrines have already adopted the floating toilet facility system and the sanitary conditions have already been improved.

New achievements were made in bringing environmental pollution under control. During the year, all the factories in the four urban districts were renovated, and particularly, Yangshan, Fanyuan, and Jiantan became three areas without black smoke. Nineteen pollution sources within Sanhuanglu were taken care of, and 100 polluting factories and locations were replaced. Within Sanhuanglu, more than 6,000 old Honghai brand motorcycles were completely replaced, thereby eliminating pollution and reducing the traffic noise.

5. Transportation, Posts, and Telecommunications

The railways handled 18.77 million passengers, an increase of 9.3 percent over the previous year, and the volume of freight was 11.13 million tons, a decrease of 11.0 percent as compared with the previous year. The average daily shipping capacity of cargo trains was 216,000 tons, an increase of 3.6 percent over the previous year.

The railways handled 12.83 million passengers, an increase of 8.1 percent over the previous year, and the turnover volume of traffic was 1.14 billion passenger-kilometers, an increase of 9.8 percent. The volume of cargo transported was 4.01 million tons, an increase of 6.2 percent over the previous year, and the turnover volume of cargo transportation was 0.96 billion ton-kilometers, an increase of 11.9 percent.

The volume of passenger and cargo transportation by civil aviation increased by a large margin. The delivery volume of passengers was 1,095,000, an increase of 38.3 percent over the previous year, and the delivery volume of cargo was 1,180 tons, an increase of 21.4 percent.

The total amount of mail posts and telecommunications amounted to 0.18 billion Yuan, an increase of 16.2 percent over the previous year. The number of letters handled was 0.11 billion, an increase of 16.6 percent over the previous year; the number of telegrams dispatched was 5.16 million, an increase of 3.4 percent; and the number of long-distance telephone calls was 10.46 million, an increase of 11.2 percent. Within the year, 15,000 telephone exchanges were newly installed, or 12,000 households in urban areas were telephoned, and 100,000 or 14,000 households over the previous year. The highest growth rate reached 40.5%.

6. Finance

The city received 150.17 million Yuan in 1983, an increase of 10.11 percent over the previous year, and the growth rate over the previous year. Both the increased amount and the growth rate were the highest since the All People's Meeting of the City People's Congress Committee in the Spring of the people's income of 1982. The growth rate of the city's income was 19.1 percent.

Of the retail sales of social necessities, consumer goods sales increased by 20.9 percent; consumer goods sold to work groups increased by 10.7 percent; and the sales of agricultural means of production increased by 11.9 percent. Of the retail sales of consumer goods, food accounted for 1.8 billion yuan, an increase of 14.3 percent over the previous year. Clothing accounted for 1.8 billion yuan, an increase of 18.7 percent; and articles of everyday use accounted for 1.7 billion yuan, up 22.6 percent.

The total value of commodities purchased by commercial departments in the whole year reached 15.64 billion yuan, an increase of 5.6 percent over the previous year. Of this, commodities purchased by departments outside the city increased by 14.8 percent; an commodities purchased by departments inside the city increased by 1.5 percent. In order to speed up the circulation of commodities and reform the circulation system, 39 trade centers and wholesale markets opened in the year, further breaking free from the previous single and multilinked wholesale circulation system.

Over 4,500 commercial and catering trade networks and centers were newly established in the year; of which, 957 were collective networks and centers, and 2,549 were permanent shops run by individual merchants. In the year, 26 self-service shopping centers were newly established, making a total of 50 by the end of the year. The construction of middle and lower class hotels also scored very big achievements, with 28 hotels being built in the year with an increase of 12,000 beds. By making use of the existing conditions and tapping internal potential, every department and unit also set up service facilities of various kinds, with an increase of more than 40,000 beds. To a certain extent, the problem of hotel accommodation was alleviated. In the year, 70 agricultural trade markets and rural fair markets were newly set up, making a total of 207 by the end of the year; and their volume of transactions for the whole year was 0.15 billion yuan, an increase of 22.4 percent over the previous year.

Among the state-owned commercial and catering trade enterprises in the retail business, 249 large and medium-sized enterprises earning an annual profit of more than 200,000 yuan all adopted the operational contracting responsibility system on a progressive basis. And the 2,692 small enterprises gaining an annual profit of less than 200,000 yuan carried out reforms in the following three ways: 86.5 percent of them became state-owned enterprises for self-financing, 7.3 percent of them were turned over to collective ownership, and 6.2 percent of them were rented to collective or individual to run. The commercial reform aroused the enthusiasm of staff and workers, and enterprise workers took a favorable turn. The gross profit rate of state-owned commercial enterprises rose from 8.3 percent of the previous year to 8.9 percent, and the turnover period of floating capital was shortened from 141 days in the previous year to 138 days, a 2.1 percent increase in speed.

7. Foreign Trade and Tourism

The total value of the export of foreign trade goods to 50.64 billion yuan, falling the annual plan by 24.7 percent, an increase of 6.2 percent over the previous year, and reversing the successive decline in export of the previous two years.

The City as a whole used \$0.22 billion in foreign funds for signing 57 contract items and \$0.29 billion for signing 336 contract items concerning technology introduction, totalling 393 contract items signed and \$0.56 billion, an increase of 128 percent over the previous year and the greatest amount in years.

Tourism developed very rapidly. By the end of the year, there were 50 tourist hotels, 11,000 hotel rooms; 27,000 beds, an increase of 6,000 beds over the previous year. For the whole year, 657,000 tourists were received, an increase of 29.1 percent over the previous year.

8. Revenue and Expenditure

The yearly revenue totalled 4.44 billion yuan, overfulfilling the state budget by 11.2 percent, an increase of 13 percent over the previous year. Of this, 1.31 billion yuan was from enterprise profit taxes, an increase of 8.4 percent over the previous year; 3.03 billion yuan was from industrial and commercial taxes, an increase of 15.4 percent.

The yearly expenditure was 2.71 billion yuan, being 83.5 percent of the state budget and an increase of 38.3 percent over the previous year.

9. Science, Education, and Culture

Inspected and approved by the state scientific departments, in 1984 75 scientific and technical research results by scientific research personnel in the capital won the state discovery awards, totalling 37 percent of the whole country. Of the nine key scientific tasks approved by the municipal people's government at the beginning of the year, the popularization of eight have already been completed, including the application of microcomputers. By the end of the year, there were 200 local scientific research organizations of various subjects and 17,000 scientific research personnel. Of the independent scientific research units subordinate to the municipal government, 51 have already carried out the experimental reform. Of this, 30 units carried out the pilot remunerative contracting system, transferring 396 scientific and technical research results with remunerations, an increase of 160 percent over the previous year.

By the end of the year, there were 77 colleges and universities, (including 19 university branches,) 3 schools more than the previous year; and there were 103,000 students on campus, an increase of 13.3 percent over the previous year and the greatest number in a year since the 3d Plenary Session of the 11th CPC Central Committee. In all, 4,652 postgraduate students were recruited locally by Beijing's colleges and universities and scientific research units subordinate to the municipal government, an increase of 64 percent over the previous year. By the end of the year, there were 113 technical secondary schools and 31,000 students on campus, which was an increase of 16.5 percent over the previous year and the greatest number in a year in recent years. There were 160 technical schools, and 16,000 students on campus. There were 148 vocational (agriculture) middle schools and ordinary middle schools with vocational (agriculture) classes, totalling 692 classes and 26,000 students on campus, which was an increase of 52.7 percent and also the fastest growth in recent years. The vocational middle schools and the ordinary middle schools

with vocational classes are enthusiastically welcomed by society, and many schools would finish assigning students' jobs or fixing their developmental orientation even before their graduation. Ordinary middle schools had 529,000 students on campus, an increase of 10.1 percent over the previous year. There were 2,168 primary schools and 761,000 students on campus, a drop of 75,000 as compared with the previous year. The number of students studying in part time colleges and universities like television university, vocational university, and so on reached 70,000, an increase of 11,000 over the previous year. The television technical secondary schools for adults were established, and more than 45,000 students were enrolled.

There were 5,434 kindergartens and nurseries in the whole city, 269,000 children in kindergartens and 92,000 babies in nurseries, totalling 361,000 children, which was an increase of 22,000 over the previous years. The number of household nurseries reached 16,000, an increase of more than 6,000 over the previous year.

There were 73 newspapers of various kinds published in the whole city with a circulation of 8.3 billion, an increase of 4.3 percent over the previous year; there were 987 magazines with a circulation of 0.79 billion, an increase of 15.4 percent; and there were 16,000 kinds of books and 0.95 billion copies (sets), a decrease of 1.5 percent.

By the end of the year, the whole city had 21 cultural centers and 169 cultural stations; it had 23 libraries with 18.75 million books, an increase of 5.1 percent over the previous year, and the number of library-users amounted to 2.28 million persons, a decrease of 8.2 percent as compared with the previous year. The city as a whole had 7,497 film projection units, of which 491 were cinemas (including 73 internal auditoriums open to the public). Beijing had 37 theaters and 7 film studios. During the year, under the unified arrangement of the municipal radio and television departments, 60 television transmitting and relay stations were newly built in suburban counties, greatly improving the reception effects of viewing the programs of the central television station and Beijing television station in the suburbs.

During the year, the third batch of cultural relics for protection were defined, totalling 111 units; and the protection scope and construction control areas of 60 units of cultural relics for protection above the municipal level were determined. The work of repairing cultural relics was also actively carried out, and during the year 13 cultural relics had already been repaired or were being repaired.

III. Public Health and Sports

By the end of the year, Beijing had a total of 4,173 public health and medical organizations. Of this, 423 were municipal and township hospitals, 11 more than the previous year; and there were 15,000 hospital beds, an increase of 2.8 percent over the previous year and the greatest one year increase in history. The professional health workers for the whole city numbered 89,000, which was 1,000 more than the beginning of the year. Of this, 5,000 were doctors (or practitioners with secondary medical school education) of Western medicine.

Four athletes from our city set the best record in the world once, 4 athletes equaled a world record once, and 5 athletes broke 3 national records on 8 occasions. Our city's sports teams won 112 gold, 117 silver, and 127 bronze medals in international and national competitions. And the mass sports activities developed vigorously.

11. People's Living

By the end of the year, the total number of staff and workers reached 1.724 million, 19,000 more than the beginning of the year. The total annual wage was 4.04 billion yuan, up 19.5 percent as compared with the previous year. Of this, bonuses amounted for 0.87 billion yuan, up 36.1 percent as compared with the previous year. According to a sample survey of 1,200 staff and worker households, the average per-capita income of staff and workers was 1,139 yuan, an increase of 153 yuan over the previous year. The real average per-capita income for staff and worker households was 759.3 yuan, an increase of 110.7 yuan over the previous year. The average per-capita living expense for staff and worker households reached 866.8 yuan, an increase of 92.7 yuan, or 10.1 percent, over the previous year. For every 100 staff and worker households, there were 94.5 television sets, an increase of 3.6 over the previous year; 51.5 tape recorders, an increase of 11; 41.3 washing machines, an increase of 11.6; and 13.1 refrigerators, an increase of 8.3. Because the construction of urban residential housing continued to develop at a faster rate, the average per-capita living area for urban dwellers reached 6 square meters.

The income of peasants continued to increase. According to a sample survey of 180 peasant households, the average annual per-capita income for peasant households reached 406 yuan, an increase of 145 yuan or 27.9 percent, over the previous year. The average per-capita expense was 435 yuan, an increase of 51 yuan, or 11.2 percent, over the previous year. The amount of household consumer durables purchased by peasants grew very rapidly, and in every 100 peasant households there were 27 television sets, an increase of 16 over the previous year; 74 wristwatches, an increase of 19; 187 bicycles, an increase of 20; 13 washing machines, an increase of 9; and 28 electric fans, an increase of 11.

New breakthroughs were also made in the construction of new villages. New village construction was comprehensively carried out in 33 experimental spots in suburban counties. There have already been 834 peasant residential buildings and 74 public buildings built, with a construction area of nearly 116,000 square meters, an increase of 700 percent over the previous year. Due to the increase in the number of new rural houses, on average, each peasant possessed 13.64 square meters of living space, an increase of 0.65 square meters over the previous year.

By the end of the year, the remainder of urban and rural residents' savings deposits was 7.87 billion yuan, an increase of 0.89 billion yuan over the beginning of the year. The urban residents' saving deposits were 3.2 billion yuan, an increase of 0.69 billion yuan, and the peasants' saving deposits were 4.67 billion yuan, an increase of 0.2 billion yuan.

12. Public Order

The public security in the capital had an obvious turn for the better. Through striking severe blows against serious criminal offences and maintaining comprehensive administration, criminal cases dropped by 46.6 percent as compared with the previous year. The increase of criminal cases dropped to 0.007 percent, a drop of 36 percent as compared with the 10 years of internal disorder during which criminal activities were rampant. The rate of solving criminal cases also had a bigger increase. As a result of the strengthening in the work of public order, the safety of major political activities and large-scale mass activities, like the 35th anniversary of the country, was ensured.

The incidence of traffic accidents and collisions rose. The year witnessed 8,573 traffic accidents, involving 348 deaths, an increase of 1.1 percent and 11.8 percent respectively over the previous year. Of this, the death toll in urban areas had an increase of 17.7 percent. The year witnessed 692 fires, involving 46 deaths; although the number of fires had a drop of 9.5 percent as compared with the previous year, the death toll increased by 19.4 percent.

13. Population

According to the statistics of departments in charge of household registration, by the end of the year, our city had a registered permanent population of 9.43 million people, an increase of 101,000, or 1.1 percent, over the beginning of the year. Of this, the natural increase was 81,000 people, and the increase due to migration was 21,000 people. Beijing also had a temporary population of 319,000, an increase of 5,000 people as compared with the beginning of the year. The birth rate was 14.55 per thousand, a drop of 1.58 per thousand as compared with the previous year; the mortality rate was 5.46 per thousand, a drop of 0.04 per thousand; and the natural growth rate was 8.59 per thousand, a drop of 1.55 per thousand.

In 1984, the social economic situation in our city was excellent, but it still had some problems. The supply of raw materials and energy resources was inadequate. Communications and transportation were tense. The reservoir water level and groundwater level dropped. The expenditure grew too fast. The supply of high-grade consumer goods was not adequate to the demand. Urban construction and management were still relatively backward. The scale of capital construction was on the big side, and the project completion rate dropped. Traffic was still congested. Housing for urban dwellers was still in great demand. The development of tertiary industries still had a long way to go before it suits the living and production needs of the people.

FINANCE AND BANKING

SHAANXI'S 1984 SOCIAL, ECONOMIC STATISTICS

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["Communique on the Statistics Concerning Shaanxi's National Economic and Social Development in 1984" issued by the Shaanxi Provincial Statistical Bureau on 5 April 1985]

[Text] In 1984, under the guidance of the provincial CPC committee and the provincial people's government and with the impetus given by the party rectification drive and the reform of the economic structure, the people in our province further implemented the principle of opening the country to the world and revitalizing the domestic economy, and achieved remarkable success and new breakthroughs in national economic and social development. Last year, the gross social product (first-rate) (The gross social product is the sum of the total output value of agriculture, industry, the building industry, communications and transportation, and commerce (including the supply and marketing of goods and materials and the catering industry). The national income is the sum of the net output value of the above five material producing departments. Except where otherwise stated, all figures for the gross social product, gross industrial output value, gross agricultural output value, and national income are calculated in terms of 1984 prices.) was 27.08 billion yuan, or 26.707 billion yuan if calculated according to the 1980 constant prices, an increase of 13.4 percent over the previous year. The gross industrial and agricultural output value was 22.47 billion yuan, or 22.041 billion yuan if calculated according to the 1980 constant prices, an increase of 14.7 percent over the previous year. The national income was 12.08 billion yuan, or 11.91 billion yuan if calculated according to the 1980 constant prices, an increase of 17.4 percent over the previous year. The 1984 plans for producing 6 major agricultural products, including grain and oil-bearing crops, and 47 major industrial products were either fulfilled or overfulfilled. The 1984 targets for the gross industrial and agricultural output values, the national income, and the output of 32 major industrial and agricultural products including grain, oil-bearing crops, raw wool, steel, pig iron, cement, washing machines, and cigarettes, as stipulated in the Sixth 5-Year Plan, were either fulfilled or overfulfilled 1 year ahead of schedule. The township and town enterprises developed rapidly and their total income last year was 2.55 billion yuan. The total income of the townships and villages was 7.99 billion yuan, an increase of 49.4 percent over the previous year. As a result of the development in production, the market was brisk, economic and technological cooperation and

exchange with people from other parts of the country and other parts of the world further developed, the people's livelihood steadily improved, and new progress was made in the building of a socialist spiritual civilization. The major problems arising from the development of the national economy were: The production setup was not adapted to the changes in consumption patterns; there were insufficient means of transport; the consumption funds increased too rapidly; and there was quite an enormous increase in the prices of some commodities.

1. Agriculture

In 1984, further efforts were devoted to implementing the party's rural economic policy, the rural economic reforms continued to develop in depth, the system of contracted responsibilities with payment linked to output on a household basis was further perfected, the number of households doing specialized jobs as well as the number of economic combines of various types increased enormously, and there were more and more rural laborers going into industry, building industry, transportation, communications, and the catering industry. At the end of 1984, the province had 271,000 households doing specialized jobs, 1,884 specialized villages, and 10,384 economic combines of various types. The rural economy developed in the direction of specialization, commodity production, and modernization. Agricultural technologies were further popularized and extensively applied. In agricultural production, after overcoming natural calamities, we reaped bumper harvests.

Last year, the gross agricultural output value was 8.295 billion yuan, or 7.361 billion yuan if calculated according to the 1980 constant prices, an increase of 19.9 percent over the previous year. Excluding the output value created by the industrial enterprises run by the villages (or brigades), it was 7.191 billion yuan, an increase of 15.0 percent over the previous year. Of the gross agricultural output value, 5.217 billion yuan was the output value derived from the growing of crops, 10.3 percent more than in the previous year; 433 million yuan the output value of forestry, 9.7 percent more; 1.09 billion yuan the output value of animal husbandry, 16.9 percent more; 8 billion yuan the output value of fishery, 23 percent more; and 1.487 billion yuan that of sideline production, 13.6 percent more.

The growing of crops was further readjusted structurally and the plans for the production of such major agricultural products as grain, oil-bearing crops, fiber-cured tobacco, and so on were overfulfilled.

Output of major agricultural products was as follows:

	1984	percentage increase over 1983
grain	20,474 billion jin	5.1
of which:		
wheat	8,991 billion jin	1.1
paddy	1,865 billion jin	10.5
corn	6,262 billion jin	8.5
millet	0,512 billion jin	11.8
soybeans	0,335 billion jin	-20.5
cotton	1,4774 million dan	88.5
oil-bearing crops	3,8628 million dan	11.1
of which:		
rapeseed		111.1
sugar beet	1,0656 million dan	-11.2
flue-cured tobacco	0,8458 million dan	98.1
silkworm cocoons	96,100 dan	0.1
tea	53,600 dan	18.5

In forestry, the system of contracted responsibility was further implemented, and there was an increase in the area of land devoted to the building of forests. Last year, the total area of land devoted to the building of forests was 7.64 million mu, an increase of 11.7 percent over the previous year. The output of walnut, Chinese chestnut, and edible fungi increased by 65.4 percent, 81 percent, and 37.8 percent, respectively. The output of raw lacquer, tannins, and palm fibers decreased.

Animal husbandry continued to develop. The number of large animals and large fish at the end of last year increased, but the number of sheep and goats decreased. The plans for the production of pork, beef, mutton, eggs, and milk were basically fulfilled.

Output of major animal products and the number of livestock at the end of the year were as follows:

	1984	percentage increase over 1983
output of pork, beefs, and mutton	488 million jin	1.1
of which:		
pork	450 million jin	1.1
beef	2,01 million jin	-4.5
mutton	28.80 million jin	5.8

milk	263.00 million jin	7.8
of which:		
goats milk	177.00 million jin	-6.8
sheep wool	6.20 million jin	-11.0
hogs slaughtered	3.85 million head	4.1
sheep and goats slaughtered	1.60 million head	2.6
hogs in stock at year-end	6.993 million head	5.3
large animals at year-end		
of which:		
dairy cattle	28,000 head	75.0
sheep and goats at year-end	4.128 million head	-20.6
of which:		
milch goats	720,000 head	-2.3

Fishery developed. Last year, the province's output of aquatic products was 4,398 tons, an increase of 33 percent over the previous year.

In sideline production, the industrial enterprises run by the villages (or brigades) developed rapidly. Last year, their gross industrial output value was 902 million yuan, an increase of 72.4 percent over the previous year.

Conditions for agricultural production improved. At the end of 1984, the total motive power of the province's farm machines was 7.561 million horsepower, an increase of 3.6 percent over the previous year; the province had 21,400 large and medium-sized tractors, 5.3 percent less than in the previous year; the number of small and walking tractors was 137,000, an increase of 2.08 percent; the number of heavy-duty trucks was 8,630, up 11.5 percent; and the total thrust of irrigation and drainage power equipment was 2.202 million horsepower, down 3.6 percent. Last year, the total amount of chemical fertilizer applied (calculated according to 100 percent efficiency) was 415,000 tons, an increase of 15.8 percent over the previous year. The total consumption of electricity in the rural areas was 1.4 billion kilowatt-hours, an increase of 25 percent over the previous year. Last year, another 329,200 mu of land was effectively irrigated and the total area of land subject to comprehensive soil and water conservancy was 4,192 square kilometers.

The meteorological departments contributed to agriculture by devoting vigorous efforts to weather forecasting.

At present, the production setup in the rural areas and the setup of agricultural production are quite irrational and the commodity rate of agricultural products is quite low. They have to be further readjusted and raised.

2. Industry

In 1984, the pace of the consolidation and technical transformation of the industrial enterprises quickened, they were delegated greater decisionmaking

power, industrial production steadily developed, and the economic results improved. Last year, the gross industrial output value was 14.142 billion yuan, or 14.480 billion yuan if calculated according to the 1980 constant prices, up 11.9 percent over the previous year or fulfilling 106.9 percent of the yearly plan. When added to the output value of rural industry run by villages (brigades), the total figure would be 15.044 billion yuan, an increase of 14.3 percent over the previous year. Of the total, the output value of state-owned industry increased 10.7 percent over the previous year, collectively owned industry grew by 16.9 percent, the industry run by townships grew by 26.8 percent, and the industry run by the neighborhoods in the cities and towns grew by 39.6 percent. The output of 57 of the 80 major industrial products met or topped the plans. They included steel, rolled steel, raw coal, electricity, chemical fertilizer, cement, television sets, washing machines, woollen piece goods, and tobacco. The output of 62 industrial products was greater than it was in the previous year.

In 1984, the total output of light industry was 6.060 billion yuan, a 6.9 percent increase over the previous year. The quality of light industrial products improved and the variety increased, but they still could not meet the growing demand of consumers.

Output of major light industrial products was as follows:

	1984	percentage increase over 1983
Cotton yarn	144,600 tons	-11.9
Cloth	627 million meters	-15.6
Chemical fabrics	5,935 tons	290.00
Knitting wool	2,118 tons	6.7
Woollen piece goods	3.19 million meters	28.1
Silk	447 tons	4.7
Silk textiles	9.27 million meters	21.6
Printed and dyed cloth	274 million meters	-17.2
Cotton knit goods (in terms of cotton yarn used)	13,900 tons	-6.7
Machine-made paper and paper board	134,000 tons	17.0
Sugar	6,100 tons	29.8
Salt	47,700 tons	7.4
Chemical pharmaceuticals	2,800 tons	8.0
Detergents	16,400 tons	17.1
Bicycles	303,200	-10.5

Sewing machines	632,200	-2.4
Wrist-watches	1,070,500	-11.3
Television sets	239,400	50.6
of which:		
Color sets	16,900	520.0
Radios	58,600	42.9
Cassette recorders	29,200	-1.3
Household washing machines	172,300	42.7
Light bulbs	55,500,000	20.5
Plastic goods	30,800	14.5
Dairy products	7,707	0.3
of which:		
Milk powder	7,554 tons	0.9
Matches	750,000 cases	22.9
Cigarettes	555,100 cases	14.0
Alcoholic beverages	83,100 tons	34.7
of which:		
Beer	34,000 tons	41.1

Thanks to the readjustment in the past few years, heavy industry steadily developed at a rather quick pace. Last year, the heavy industrial output value was 8,082 billion yuan, an increase of 16.4 percent over the previous year. It accounted for 54.2 percent of the gross industrial output value. In 1983, it accounted for 52.1 percent. Energy industry developed at a rapid pace. The output of metal goods, building materials, machine tools, and electronic products, which were in short supply, increased rather enormously.

Output of major industrial products was as follows:

	1984	percentage increase over 1983
coal	24,173,700 tons	8.4
crude oil	178,500 tons	21.8
electricity	9,083 billion kilo- watt hours	13.5
of which:		
hydro-electricity	985 million kilowatt-hours	-13.8
pig iron	165,800 tons	17.8
steel	325,800 tons	13.6
rolled steel	224,500 tons	9.9
coke	482,100 tons	27.5
timber	465,600 cubic meters	4.7
cement	3,104,200 tons	11.1
plate glass	375,100 standard cases	45.9
sulphuric acid	125,300 tons	2.2
caustic soda	35,300 tons	2.3
soda ash	3,100 tons	-11.4
chemical fertilizers (100 percent efficiency)	294,600 tons	11.7
of which:		
nitrogenous fertilizer	260,600 tons	14.4
phosphate fertilizer	33,900 tons	-5.3
plastics	7,988 tons	4.4
calcium carbide	61,300 tons	17.7
outer rubber tires	177,300	60.7
machine tools	2,081	18.7
motor vehicles	695	82.4
walking tractors	26,100	19.2
internal combustion engines	320,500 horsepower	6.6
railway freight cars	1,827	2.0
industrial boilers	1,822 evaporation tons	21.1
alternating current generators	1,150,800 kilowatts	3.3
color kinescopes	964,500	66.2

Progress was made in the popularization of new technologies and in the development of new products. Last year, 1,275 new products were produced on a trial basis. Of these 1,275 new products, 30 filled gaps in the domestic market. The industrial enterprises extensively applied quality control. As a result, the quality of products improved. Of the 90 major quality indices for industrial products, 73 rose steadily and the steady improvement rate was 81 percent. West Wind wine, the Rainbow kinescope, and one other product were awarded gold prizes and 16 other products were awarded silver prizes. The quality of 49 of the 101 products sent to national public appraisals was considered to be among the best in the country. The result was better than in the past. The industrial economic results improved. The per capita productivity for financially independent state-owned industrial enterprises was equivalent to 10,335 yuan, an increase of 8.1 percent over the previous year. Sales income of budgeted local state-owned industrial enterprises increased 4.3 percent over the previous year and their profits were 3.2 percent greater than in the previous year. The number of enterprises suffering losses decreased from 14.7 percent of the total number of enterprises in the previous year to 10.7 percent and the total amount of losses decreased by 40.7 percent. Of the 23 enterprises with a deficit of 300,000 yuan or above each in 1983, 14 turned their deficits into surpluses and 6 reduced their deficits. However, because of the growth of the consumption of some products, the overstocking of the growth of the consumption of some products, the overstocking of coal, cotton textile goods, and some other products, the rise in the prices of some raw and processed materials, and the high charges for transportation, the gross comparable cost of the products produced by the budgeted local industrial enterprises increased by 1 percent. The turnover period for working funds became longer and more funds were spent on the production of finished goods.

3. Investment in Fixed Assets and the Building Industry

In 1984, progress was made in construction. Total investment in fixed assets for units owned by the whole people (Footnote 2) (The investment in fixed assets by units owned by the whole people includes their investment in capital construction, technical transformation, and building other facilities) came to 2,807 billion yuan, 293 million yuan, or 11.7 percent, more than in the previous year. Of that total, 1,861 billion yuan went to capital construction, 209 million yuan, or 12.7 percent, more than in the previous year and the amount of investment called for by the state budget was 1.091 billion yuan, a 24.3 percent increase over the previous year. The local capital construction figure stood at 619 million yuan after deducting the amount not included in the state plan, 101.6 percent of the state's adjusted plan. The capital construction projects provided the units owned by the whole people with new fixed assets worth 1.376 billion yuan.

Construction of key projects was strengthened. In 1984, the total amount of investment in the 29 projects decided on by the provincial authorities was 475 million yuan, 108.7 percent of the yearly plan. The construction of the 6 projects called for during the year was completed and they were put into operation as planned.

In 1984, a total of 1,203 capital construction projects was completed and put into operation. The major ones included: The second phase of the Jinduicheng molybdenum corporation; the installation of a production line with a production capacity of 1,000 tons of polyester fibers a year in the No. 10 plant of the Shaanxi cotton textile corporation; the Shaanxi broadcasting and television facilities plant, which can produce 200,000 television sets a year; the Shaanxi provincial gymnasium, which has a seating capacity of 8,000; the Xian fruits cold storage, which has a capacity of 7,700 tons; the Qinling-Xian-Xingping power transmission and transformation lines (the total length of the transmission line is 236.6 kilometers); the Yanan-Zhidan-Wuqi power transmission and transformation lines (148 kilometers); the power network supplying power to the electrified section of the Xiangyang-Chongqing railroad (105 kilometers); the Xian-Lanzhou open-wire communication line (with a gross length of 399 kilometers); and the Donglei pumping station, which efficiently irrigates 160,000 mu of land with water from the Huang He.

Headway was made in the technical revamping of existing enterprises. In 1984, the units owned by the whole people made use of a total investment of 946 million yuan for equipment replacement, technical updating, and other purposes, 9.7 percent more than in the previous year. Of this, 95 million yuan was used to expand production and to produce raw and processed materials and in energy conservation projects, 37.1 percent more than in the previous year, and 119 million yuan was used to increase the variety of products and to raise their quality, 15.3 percent more than in the previous year. Last year, a total of 922 projects involving the updating and transformation of the facilities owned by the whole people were completed and 49.2 percent of them were put into operation. Last year, the total value of the new fixed assets made available by the technical transformation and updating of facilities was 669 million yuan.

The investment by the units owned by the whole people in capital construction and for equipment replacement, technical updating, and other measures helped add the following major capacities and results: 35,000 tons of iron ore, 645,000 tons of coal, 8,400 tons of crude oil, 8,000 cubic meters of timber, 25,000 tons of synthetic ammonia, 16,000 tons of chemical fertilizer, 178,000 tons of cement, 500,000 television sets, 107,000 cases of cigarettes, 8,720 tons of wine, 5,950 tons of machine-made paper, 42,820 spindles of cotton yarn, 70,000 washing machines, an efficiently irrigated area of 238,900 mu of land, 62 kilometers of highways, 171 commercial service stations, 158,100 places in schools of various types, 2,457 sickbeds in the hospitals, and 5,600 telephone switchboards.

As against 45.7 percent in the previous year, 48.3 percent of the capital construction projects went into operation and the proportion of housing completed to the total under construction rose from 45.1 percent in the previous year to 45.5 percent. However, only 73.9 percent of the fixed assets went into operation as against 89.1 percent in the previous year. The building cost of each square meter of housing was 6.7 percent higher than in the previous year.

The reform of the administrative system of the building industry developed rather rapidly. In 1984, 92.9 percent of the building and installation enterprises owned by the whole people applied various systems of contracted responsibilities and 42.9 percent of them applied the system of signing contracts to fix the wages for each 100 yuan's worth of work. Their economic results improved and per capita labor productivity increased 26.9 percent over the previous year. The proportion of high-quality projects to the total number of projects rose from 65.3 percent in the previous year to 67.6 percent.

Geological surveying work registered remarkable achievements. In 1984, tunneling footage completed in the year totalled 243,000 meters, 32,000 meters more than in the previous year. Geologists located or verified the new reserves of 27 mines. Rather significant progress was made in geological research. A total of 18 research results were achieved.

4. Transportation, Posts, and Telecommunications

In 1984, by diverting traffic from the main railroads and highways, providing combined transportation services, and adopting other effective measures, the transportation departments enhanced their transportation capacity. There was a considerable increase in the volume of freight and the number of passengers carried. Last year, the various transportation departments handled 22.452 billion ton-kilometers of goods, up 18 percent from the previous year. Of this, the railways handled 21,615 ton-kilometers, up 18.6 percent; trucks handled 812 million ton-kilometers, up 4.9 percent; ships and boats handled 17.79 million ton-kilometers, down 21.8 percent; and planes handled 7.18 million ton-kilometers, up 19.3 percent.

In 1984, the volume of passenger travel handled by all means of transportation was 10.956 person-kilometers, an increase of 15.7 percent over the previous year. Of this, the volume of railway carriage was 7.685 billion person-kilometers, up 12.9 percent from the previous year; the volume of road passengers was 3.026 billion person-kilometers, up 21.6 percent; the volume of waterway passengers was 1.56 million person-kilometers, up 25.8 percent; and the volume of passengers by air was 243 million person-kilometers, up 41.6 percent.

As a result of the in-depth development of the reform of the economic structure, the management of the transportation departments developed in the direction of multilayered and multichannelled management and the number of collectives and individuals starting a transportation business increased. According to a tentative statistical report, the number of motor vehicles owned by individual and joint households was 4,134. They added to society's transportation capacity.

Posts and telecommunications continued to develop. Last year, transactions throughout the province amounted to 68.932 million yuan, an increase of 8.0 percent over the previous year. The number of letters handled went up 9.9 percent; the number of newspapers and magazines distributed went up 15.2 percent; the number of long-distance telephone calls went up 13.5 percent; the number of telegrams dropped by 7.1 percent; and the year-end number of telephone subscribers in the urban areas registered an 11.2 percent increase over the previous year.

Economic results improved somewhat in the transportation and posts and telecommunications departments. Last year, the profits of the railroad transportation enterprises were 22.3 percent greater than in the previous year. The per 10,000 kilometer fuel consumption of steam and electric locomotives went down 2.1 percent and 0.9 percent respectively. The income of the local railroad transportation departments was 7.7 percent higher than in the previous year and the imbalance between the income and expenditure of the posts and telecommunications departments grew by 29.8 percent. The per capita labor productivity in the railway transportation enterprises and the profits of the local road transportation departments decreased. The development of transportation, posts, and telecommunications still could not keep pace with economic development.

5. Domestic Trade

In 1984, the reform of the commercial system was speeded up and a commercial network characterized by diversified forms of economy and management and circulation channels came into existence. Last year, 1096 small state-owned retail enterprises and catering service enterprises were given a free hand in their operation. Of these enterprises, 81.2 percent became collectively run state-owned enterprises, 9.6 percent became collectively owned enterprises, and 9.2 percent were run by individuals on a leased basis. The reform of the wholesale enterprises developed in the direction of a smaller number of links and layers.

The market was brisk, sources of goods and materials increased, and the volume of retail sales increased enormously. In 1984, the total value of the province's retail sales was 7.332 billion yuan, an increase of 13.4 percent (or 9.1 percent if the rise in retail prices is excluded) over the previous year. This included 6.3 billion yuan of consumer goods, up 14.8 percent and 1.032 billion yuan of means of agricultural production, up 5.9 percent. The volume of retail sales for the majority of the major consumer goods went up last year. The increase over the previous year for grain was 8.6 percent; for edible vegetable oil, 81.8 percent; for pork, 2.9 percent; for eggs, 5.4 percent; for sugar, 11.2 percent; for cotton cloth, minus 15.6 percent; for cotton blend fabrics, minus 15.7 percent; for chemical fabrics, 34.3 percent; for woolen cloth, 78.5 percent; for knitting wool, 35.3 percent; for knitted underwear, 6.5 percent; for wrist-watches, 33.8 percent; for bicycles, 13.7 percent; and for television sets, 46.3 percent.

The volume of retail sales by all types of economic units increased and that of the retail sales by individual economic units grew most rapidly. In 1984, the total value of the retail sales by the economic units owned by the whole people was 3.598 billion yuan, an increase of 11.9 percent over the previous year; that of the retail sales by collectively owned economic units (including the supply and marketing cooperatives and joint economic units) was 2.89 billion yuan, up 7.6 percent; that of the retail sales by individual economic units was 541 million yuan, up 84.2 percent; and that of the retail sales by peasants to the non-agricultural population was 303 million yuan, up 13.1 percent.

Fair trade flourished and the value of transactions increased enormously. At the end of 1984, the province had a total of 1,555 rural and urban fair markets, 331, or 27.0 percent, more than in the previous year. The number of urban agricultural products markets was 187, an increase of 85.1 percent over the previous year and the number of rural fair markets was 1,368, an increase of 21.8 percent. Last year, the total volume of fair trade was 1.21 billion yuan, an increase of 15.8 percent over the previous year.

In 1984, sales of the major means of production rose over the previous year. Coal sales rose 4 percent; rolled steel, 14.1 percent; timber, minus 3.2 percent; and cement, 11.2 percent. Of these, sales to rural areas by goods and materials departments increased 100 percent for coal, 48 percent for rolled steel, 61 percent for timber, minus 1 percent for cement, and 12 percent for heavy-duty trucks. In order to invigorate the economy and to expand commodity circulation, the number of sales centers was increased from 484 in the previous year to 656.

Last year, the overall index for retail prices rose 3.9 percent over the previous year and was 6.2 percent higher in the fourth quarter than in the corresponding period of 1983. The index for the prices of consumer goods rose 3 percent, and the index for the prices of means of agricultural production rose 8.6 percent. The price of vegetables rose 13.0 percent; aquatic products, 19.7 percent; fresh fruits, 13.8 percent; and herbs, 14.6 percent. The living cost index for workers and staff rose 3.4 percent over the previous year. Of this, prices of consumer goods rose 3.3 percent and charges for various services went up 4.7 percent. The problem of price hikes and the problem of raising prices in disguised forms were quite serious.

6. Foreign Economic Relations, Foreign Trade, and Tourism

In 1984, our economic and technological cooperation with foreigners further developed and, as a result, its closed economic system developed in the direction of an open economic system. The first round of talks on international economic and technological cooperation held in December last year, was very successful. Present at the talks were more than 930 foreign businessmen from 25 countries and regions. A total of 140 contracts, valued at \$406 million, and 50 agreements, valued at \$688 million, were signed. There were also extensive economic and technological cooperation and exchanges between the province and other provinces. Last year, the province sent more than 40 teams to brother provinces and cities to conduct surveys or to hold business talks. So far the province has carried out economic cooperation with more than 20 provinces and cities. Last year, the province signed agreements with them on more than 900 projects at a total value of 200 million yuan, 6 times of that in the previous year.

In 1984, the total volume of the province's export and import trade was 325 million yuan, an increase of 63.4 percent, or 40.9 percent with fluctuations in prices and exchange rates deducted, over the previous year. Exports totaled 253 million yuan, 78.1 percent, or 53.5 percent with fluctuations in prices and exchange rates deducted; more than in the previous year. Of the total value of exports, 204 million yuan was the value of the industrial and mineral products exported and 49 million yuan the value of the agricultural, sideline,

and animal products exported. Imports totaled 72 million yuan, 26.7 percent more than in the previous year.

Tourism continued to develop. Last year, the tourist departments and the other departments concerned received more than 151,300 people, including foreigners, Overseas Chinese, Hong Kong and Macao compatriots, and Taiwan compatriots, from 90 countries and regions. These people came to the province to go sight-seeing, visit their relatives, or do business. Their number was 22.3 percent greater than that in the previous year. Of them, 138,500 were foreigners and 12,800 were Overseas Chinese or Hong Kong, Macao, or Taiwan compatriots. Last year, the foreign exchange income derived from tourism was equivalent to 47.12 million yuan, an increase of 22.4 percent over the previous year.

7. Science, Education, and Culture

Advances were made in science and technology and the number of new scientific and technological achievements increased. Last year, scientific research yielded 337 important achievements. Of these, 4, including laser-holophotography for applied structural engineering, the JD83 mobile sequence laser camera, and the multi function carbon dioxide controller of laser blades, were first developed in China; 32 were up to international standards, 57 filled gaps in our knowledge, and 42 were up to the country's advanced standards. In 1984, 5 of the province's inventions were accepted by the state and 1 received a second-class national award. Of the important achievements yielded by scientific research, 294, or 87.2 percent, were achievements in the applied technologies. So far 144 of them have been applied and 42 popularized. The market for scientific and technological achievements played a positive role.

The educational system quickened its pace of reform and readjustment. In higher education, diversified standards and forms of multilayered teaching were introduced. Full-time higher education and adult education simultaneously developed. At present, there are 43 institutions of higher learning. Last year, they enrolled 1,285 postgraduates, 436 more than in the previous year, and the number of enrolled postgraduate students was 3,143, 1,211 more than in the previous year. The number of undergraduate students enrolled was 22,000, an increase of 12.4 percent over the previous year; the number of enrolled undergraduate students was 68,000, an increase of 12.9 percent; and the number of graduates was 14,000. The television universities, vocational universities, correspondence universities, and evening universities continued to develop. The number of students currently enrolled in them is 36,000, 9,000, or 33 percent, more than in the previous year. The number was equal to 53 percent of the total number of students enrolled in the full-time institutions of higher learning.

Secondary education improved structurally in the course of readjustment. Last year, the number of students enrolled in various types of full-time secondary schools was 1,737 million, 123,000 more than in the previous year. The number of students enrolled in special secondary schools (including secondary normal schools) was 43,000, the number of students enrolled in the senior secondary schools was 296,000, the number of students enrolled in the junior secondary schools was 1.337 million, the number of students enrolled in the agricultural

and vocational secondary schools was 41,000, and the number of students enrolled in the technical schools was 20,000. Secondary adult education continued to develop. The number of adults receiving an ordinary secondary education was 261,000 and the number of adults enrolled in the special secondary schools (including the number of adults receiving special training) was 25,000.

The quality of primary education improved. Pre-school education and programmes for the blind, deaf, and mute developed. Last year, the number of students enrolled in the province's primary schools was 3.841 million, 53,000 less than in the previous year. The number of school-age children entering schools increased from 94.9 percent of the total number of school-age children in the previous year to 96.8 percent. The number of children enrolled in the kindergartens was 370,000 and the number of students enrolled in the schools for the blind, deaf, and mute was 877.

New achievements were made in the building of socialist spiritual civilization by cultural undertakings including the press, radio, television, and publications. Last year 8 feature films, 5 television dramas in 14 parts, and 2 television series, based on translated stories, of 2 installments each, were produced and 187 new films were released. At the end of last year, the province had 5,149 cinemas and film projection units, 141 performing art troupes, 122 cultural centers, 2,694 cultural stations, 96 public libraries, 41 museums and memorial halls, 4 radio and television stations, 10 radio transmitting and relaying stations, 102 wired broadcast stations, 1 television center, and 10 television transmitting and relay stations with a capacity of 1,000 watts each. Publications developed and were strengthened. Last year, the province published 380 million copies of provincial, prefectural, and city newspapers, 1.08 billion copies [as published] more than in the previous year; 34.22 million copies of 138 magazines; and 107 million copies of 527 new books and sold 167 million copies of books.

8. Public Health and Sports

Public health work continued to develop. At the end of last year, the province's hospitals had a total of 62,000 beds, an increase of 1.6 percent over the previous year, and 100,000 professional public health workers, an increase of 4.6 percent over the previous year. The number of doctors was 46,300, 5.7 percent more than in the previous year, and that of senior and ordinary nurses was 18,100, 4.6 percent more than in the previous year. New progress was made in the study of endemic diseases, achievements were made in the prevention of diseases, and the incidence of various diseases dropped.

Sports made further headway and mass sports activities were extensive. In 1984, 2 athletes from our province took part in the 23rd Olympic Games. The province's athletes won 23 championships in national contests and one of our athletes broke a national record. Last year, 877 athletic meets at or above county level were organized with a total number of 210,000 participants. About 440,000 people met the requirements prescribed by the State Standards for Physical Culture and Sports Training. Last year, for the first time the province organized an athletic meet for the province's adolescents and children and another one for the disabled.

9. People's Livelihood

The income of the urban and rural populations increased and their living standards improved. A sample survey of 983 peasant households in 30 counties and cities showed an average annual per capita net income of 262.5 yuan (including 230.3 yuan from productive activities and 32.2 yuan from cash and articles remitted or brought back by family members working away from home and relief funds issued by the state), 11.2 percent more than in the previous year. Average per capita living expenses were 214.4 yuan, up 54 percent. A sample survey of 903 households of workers and staff members in 9 cities and counties showed an average annual per capita income of 515.5 yuan which could be used for living expenses, a 13.8 percent increase over the previous year. Allowing for the rise in prices and in the cost of living, real income for them still rose 10.1 percent.

In 1983, a total of 200,000 people were given jobs, including young people waiting for jobs in cities and towns, other categories of people, and the year's graduates from colleges, secondary technical schools, and apprentice schools who were covered by the state job assignment programme. At the end of last year, there were 3.235 million workers and staff members in the province, 114,000 more than at the end of 1983, and 68,000 self-employed workers in the cities and towns, 55.9 percent more than at the end of 1981. The annual wages of workers and staff members in 1984 totaled 3.08 billion yuan, up 21.8 percent over the previous year. Of this, bonuses and wages paid for above-quota piece work came to 440 million yuan, a 57.4 percent rise. The average annual cash wage for workers and staff members was 973 yuan, 18.1 percent more than in the previous year. The actual increase in workers' wages stood at 14.2 percent when the living cost increase was factored in. The second half of 1984 saw the rise of a grave problem--some units indiscriminately issued bonuses, allowances, and consumer goods to their workers.

Urban and rural savings deposits continued to grow. By the end of 1984, individual bank savings had amounted to 3.32 billion yuan, an increase of 20.8 percent over the previous year.

Housing for both urban and rural dwellers was improved. In 1984, houses completed by collectively owned units and units owned by the whole people in cities and towns totaled 2.98 million square meters of floor space and houses completed by individuals in cities and towns totalled 480,000 square meters of floor space.

Social welfare continued to improve. The number of aged, orphaned, and disabled people and children provided for by collectives was 47,000. There were 502 homes for the aged in the rural areas and they housed a total of 4,411 elderly people, 110 percent more than in the previous year. In addition, there were 23 social welfare institutes in cities and towns, providing for 7,477 people, an increase of 12.7 percent over the previous year.

10. Population

By the end of 1984, the province's total population was 29.657 million, 348,000, or 1.19 percent, more than in the previous year. Of the total population, 15.456 million, or 52.1 percent, were males, and 14,201 million, or 47.9 percent, were females.

Family planning work continued to develop. The number of women of child-bearing age adopting birth-control measures rose from 84.3 percent of the total number of women of child-bearing age in the previous year to 84.6 percent and the number of couples issued with one-child certificates grew by 6 percent. According to incomplete statistics, last year, the birth rate in the province was 16.61 per thousand, the mortality 6.14 per thousand, and the natural growth rate 10.47 per thousand.

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FINANCE AND BANKING

STRIVE TO TURN DEFICITS INTO PROFITS IN 1985

Beijing CAIZHENG [FINANCE] in Chinese No 3, 8 Mar 85 pp 7-8

[Article by Gong Zongwen (7895 1350 2429): "Summarize Experience and Strive To Succeed in Turning Losses into Profits in 1985"]

[Text] In 1984, China's state-run industrial enterprises emphasized the improvement of economic results, earnestly implemented the spirit of the "Notice of the Report of the Ministry of Finance, State Economic Commission and State Planning Commission and Approved by the State Council Concerning Earnestly Paying Attention to the Work of Enterprises in Turning Losses into Profits" and were successful in turning losses into profits. In 1984, total losses of state-run industrial enterprises were reduced by 640 million yuan compared to 1983, a 23 percent decrease. In 1984, the subordinate enterprises of 17 provinces, autonomous regions and municipalities as well as 11 industrial departments of the State Council completed or overfulfilled their targets handed down by the State Council for reversing losses. The main achievements and special characteristics of work in turning losses into profits in 1984 are listed below.

A. The leadership was attentive, the measures were effective and work was solid. After the central government's leading comrades raised the problem in 1983 of paying attention to enterprises in turning losses into profits, leaders at all levels paid great attention and all regions and departments one after the other held mobilization meetings for turning losses into profits. It was proposed that leaders at all levels raise their ideological understanding, that they assign special people to strengthen leadership, supervision and inspection and that they truly place great emphasis on work in turning losses into profits. At every level they established a responsibility system for turning losses into profits, gave enterprises pressure and motive force, adopted appropriate measures and implemented a system of rewards and punishments. A few regions regularly publish a list of key enterprises operating at a loss and enterprises that have increased losses in 1984, and they compel enterprises operating at a loss to reverse losses as quickly as possible. For example, for the past few years, Jilin Province by paying attention to reform has adopted feasible measures and has compelled enterprises to turn losses into profits. Their method is: 1) to carry out the management of goals for turning losses into profits. The province's industrial enterprises all draw up goals for turning losses

into profits and give assurance at every level; 90 percent of industrial enterprises have set up banks within factories and strengthened the scientific management of funds; 2) they implemented an economic responsibility system for turning losses into profits. A responsibility system for losses is implemented for enterprises that have a limited time to reverse losses: if they exceed the losses they are not compensated and if they reduce the losses they divide them or leave them. In addition, the results of turning losses into profits are directly linked to the bonuses of enterprises' workers; 3) guidance is given to each enterprise operating at a loss, and the work of reversing losses is completely taken care of. The reasons for losses are handled for each enterprise and are arranged in order of importance and urgency. In 3 years, the province closed a total of 86 enterprises with serious losses and reduced losses by more than 30 million yuan; 4) they accelerated technological transformations and thereby pushed enterprises to reverse losses. By the end of 1984, the percentage of industrial enterprises within Jilin's budget that operated at a loss dropped from 45.7 percent 3 years ago to 4.4 percent, and total losses decreased by 82.7 percent.

B. In 1984 the proportion of state-run industrial enterprises that operated at a loss decreased from 14.6 percent to 11.6 percent. Last year, 4,658 of the nation's industrial enterprises operated at a loss, 1,628 less than in 1983. Since 1981, the percentage of industrial enterprises operating at a loss has decreased each year, from 27.7 percent in 1981 to 25.1 percent in 1982 to 14.6 percent in 1983. In 1984 the percentage of industrial enterprises operating at a loss again decreased 3 percent compared to the year before.

C. The total losses of enterprises operating at a loss decreased by 640 million yuan. In 1984, the total losses of the nation's industrial enterprises decreased by 640 million yuan compared to 1983, a 23 percent improvement. In 1984, most enterprises operating at a loss got a foothold in tapping their own potential, opened up new roads to production, strived to develop new products and strengthened management and administration within the enterprise. Under the circumstances of rising prices of a few raw and processed materials and an extremely competitive market, losses were reduced, profits increased and many enterprises turned losses into profits. It must be mentioned that this accomplishment was hard-earned.

Although state-run enterprises were quite successful in turning losses into profits in 1984, the development was uneven, and many problems still exist. 1) The subordinate industrial enterprises in 12 regions and 3 industrial departments have still not completed the state plan for reversing losses. In some regions and departments, the extent to which losses have been reversed is very small, and in some regions the losses have increased compared to the year before. 2) A few departments and regions do not have enough faith in reversing management losses: usually they make a lot of appeals but rarely help enterprises adopt feasible measures for reversing losses. 3) A few enterprises are of substandard quality, do not have marketable products and lack competitive capability, and some even have chaotic management and serious losses and waste: the losses of these

enterprises increase rather than decrease. 4) A few enterprises which originally were profitable became new enterprises operating at a loss in 1984. According to the statistics of some departments for the period up to the end of August 1984, new enterprises operating at a loss accounted for more than 50 percent of all industrial enterprises with management losses. Most enterprises with newly increased losses were light industry and textile enterprises: they accounted for 43 percent of all enterprises with newly increased losses and 67 percent of all such losses.

Based on the circumstances of advances in the work of turning losses into profits in 1984, this year, each region and department must make persistent efforts and pay attention to the work of state-run industrial enterprises in turning losses into profits in 1984 in the following few respects.

A. They must combine work in turning losses into profits with the current restructuring of the economic system, and emphasize this as a significant matter. They must resolutely implement a responsibility system for leading cadres for turning losses into profits and we must encourage enterprises that have effectively turned losses into profits. We must penalize, according to the State Council's relevant regulations, enterprises that have not exerted effort in reversing losses and have failed to complete the plan handed down by the state.

B. We must actively implement the second step of the substitution of tax payment for profit delivery for state-run industrial enterprises and competently handle the many different forms of the economic responsibility system. Every region and departments must carry out investigative research according to the nature of the business, the scale of the enterprise, production conditions and other different characteristics and competently handle the many different forms of economic responsibility systems. We must strengthen the ideological and political work of the entire body of workers, fully arouse the enthusiasm of workers for making reasonable suggestions, carrying out technological transformations and being their own masters, and achieve outstanding results in turning losses into profits this year.

C. We must actively draw up policy measures for stimulating large enterprises and opening up small enterprises. They must be like the Jiuquan Steelworks, the Tianjin Ironworks and the Xian Bicycle Plant and earnestly pay attention to turning losses into profits. According to the spirit of resolve of the Third Plenum of the 12th CPC Central Committee, we must actively develop management for the numerous small-scale industrial enterprises. For some we can adopt the methods of transferring possession and adopting insurance and strive to turn the losses of these numerous small enterprises into profits as quickly as possible.

D. We must adopt positive and effective policies and measures and compel enterprises to turn losses into profits. 1) Any enterprises with high consumption, great waste and losses that exceed total wages for 1 year should halt production and consolidate. 2) Any enterprise that has a limited time to reverse losses, is implementing a responsibility system for losses and that turns losses into profits within the deadline can carry over the amount of losses that was originally checked and verified and

retain the profits for that year. Profits realized the second year are handled according to the regular methods. Enterprises that do not turn losses into profits within the deadline will cease to have their losses subsidized, and we will have to close down, suspend production, merge or retool. Enterprises with management losses will not be given certificates of inspection for consolidation and acceptance. 3) Financial departments, along with the concerned departments, will approve a deadline for losses of a policy nature and will implement quota subsidies or control of the total amount: losses that exceed the limit will not be subsidized and losses which are reduced will be divided. 4) Enterprises that create losses because of incomplete equipment and backward technology and that produce name-brand products which are in short supply in the market can be given their approved targets for losses ahead of time so they can carry out technological transformations. 5) They must adopt positive measures for a few enterprises with conditions, join up with and cooperate with enterprises that produce superior name-brand products and start producing superior, name-brand products that are needed in the market. 6) We must implement the policy of linking up the results from turning losses into profits with wages and bonuses. 7) We must earnestly summarize work from 1984 in turning losses into profits, spread the experiences of those who have exerted effort to reverse losses and have really achieved results and commend and reward enterprises that have turned losses into profits ahead of time.

E. We must pay close attention to enterprises with large losses that are turning losses into profits. We must engage in investigative research for key enterprises with large losses, analyze the reasons for each enterprise, draw up a plan for reversing losses, clarify the goals for reversing losses, adopt every type of effective measure and put a deadline on reversing losses. We must resolutely shut down enterprises that produce products without a market, that have no conditions for changing production, that have no way to transform and that have long-standing losses. At the same time, a plan for reversing losses must also be drawn up for the money-losing products of profitable enterprises, and these enterprises must be encouraged to raise profits and reduce losses.

F. We must consider turning losses into profits to be an important part of enterprise consolidation. In 1985 we must integrate turning losses into profits with enterprise consolidation and regard enterprises with losses greater than 1 million yuan as the key to consolidation. Responsible departments must take the responsibility to first readjust the leading group of enterprises with chaotic management and administration, serious losses and waste and that have had losses for many years in a row. After the leading group has been readjusted, we must support and allow these enterprises to consolidate and reverse losses. At the same time, we must help enterprises do a good job in consolidations in other areas, strive to raise the level of enterprise management and administration, raise the quality of enterprises and promptly discover and popularize advanced models.

G. We must strictly enforce financial and economic discipline. Each region and department must carry out a financial inspection of their subordinate enterprises, discover problems and promptly redress them.

Enterprises that violate financial and economic discipline, except when supplementing state revenue that has been seized, must be penalized according to the law, and the penalty must be paid by the enterprise. Administrative disciplinary measures must be taken against the responsible people involved according to the seriousness of their cases. No region or department may use illegitimate measures to claim false profits when there really are losses.

Completing this year's tasks for turning losses into profits is the key to realizing financial tasks in 1985 and is also an important point in realizing the spirit of the central government's decision on restructuring the economic system. Every region and department must earnestly strengthen leadership, penetrate to the grassroots level, investigate and conduct research, carry out specific guidance and emphasize results in turning losses into profits.

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23 May 1985

FINANCE AND BANKING

REPORT ON REVENUE, BUDGET ARRANGEMENTS

HK030255 Nanning Guangxi Regional Service in Mandarin 1130 GMT 2 May 85

[Text] Entrusted by the regional People's Government, Liuru Mingshan, deputy director of the regional finance department, this morning reported to the 14th meeting of 6th regional people's congress standing committee the situation in revenue and expenditures in 1984 and in arrangements for the budget in 1985 in our region.

The report says: The situation in revenue and expenditures in our region in 1984 was good. The amount of revenue in the whole region in that year was 5.9 percent more than in the preceding year, and was a record. The amount of revenue was the largest, and also increased by the largest margin, since 1979. The region also achieved a balance of revenue and expenditures, with a slight surplus.

Regarding the arrangements for the budget for this year, the finance department has proposed: On the basis of the development of production and of raising economic results, it is necessary to work hard to open up more financial resources. In accordance with the principle of doing what one is capable of, it is also essential to make arrangements for all expenditures. 1) We must consider the needs in reform of the systems of wages and commodity prices. 2) We must vigorously support the development of cultural, educational, and public health work, and improve the masses' livelihood. We must strengthen comprehensive and balanced development and financial management, strictly control expenditures, and persist in a balance of revenue and expenditures.

With a view to implementing this year's budget, the regional finance department put forward measures and demanded that all places, departments, enterprises, and institutions strictly observe financial and economic discipline. All units and individuals who violate financial and economic discipline, must be severely dealt with.

Today's people's congress standing committee meeting was presided over by vice chairman Lin Kewu.

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FINANCE AND BANKING

ZHEJIANG GOVERNMENT ISSUES PRICE-CONTROL RULES

OW271338 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 26 Apr 85

[Text] The Zhejiang Provincial Government recently issued a 9-point circular, setting forth regulations for intensifying the control, supervision, and inspection of commodity prices, and for stopping speculation. The provincial government says in the circular that supervision and control must be intensified in order to further enliven the economy.

The circular points out: All state-operated enterprises and establishments must strictly abide by the state's price policies and the relevant regulations for market control. Daily necessities, whose prices are set by the state, must be sold at the prices established by the state. Retailers are not permitted to illegally buy up commodities at retail prices and then resell them at higher prices. Whether or not they are produced according to state plan, industrial goods whose prices are set by the state, including those to be marketed by the producers themselves, shall not be sold by industrial and commercial enterprises directly to the consumers at retail prices higher than those set by the state. Neither shall they be sold to retailers at prices higher than the state's wholesale prices. No units or individuals are allowed to resell important means of production or durable goods in short supply within the same city or town; or resell production quotas, contracts, or bills of lading of commodities whose supply is planned by the state; or sell at negotiated prices commodities to be sold at market quotations. In accordance with the current regulations concerning division of operation, the wholesale of important means of production and durable consumer goods in short supply shall be handled by state commercial enterprises, commodity supply departments, supply and marketing cooperatives or the producers authorized to market their goods themselves.

The circular urges all localities to take active steps to thoroughly review the price policies adopted by all affiliated enterprises since the fourth quarter of 1984 and to take resolute measures to stop all reckless acts of unauthorized price hikes in violation of the state's price policies.

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FINANCE AND BANKING

CHEN MUHUA SAYS FIRST QUARTER CURRENCY WITHDRAWAL 'SATISFACTORY'

HK210420 Beijing ZHONGGUO XINWEN SHE in Chinese 0257 GMT 21 Apr 85

[Report: "Chen Muhua Says China Does Well in Withdrawing Currency From Circulation"--ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 21 Apr (ZHONGGUO XINWEN SHE)--In the first quarter of this year, the withdrawal of currency from circulation was rather satisfactory and was a result of the conscientious efforts contributed by various departments, said Chen Muhua, new president of the People's Bank of China.

The above is the latest picture of the financial situation revealed by Chen Muhua at an interview granted to a LIAOWANG reporter. The interview appears in issue No 16 of LIAOWANG, which comes off the press tomorrow.

The first urgent problem encountered by the lady president after she took office was how to manage credit funds and how to properly put cash into circulation. She admitted: In the second half of last year, in particular in the fourth quarter, the credit and consumption funds were not strictly controlled and too much currency was issued. In addition to all this, the effects of such unhealthy tendencies as price hikes and so on also contributed to the price rises in some commodities.

Chen Muhua said that we are considering several means by which the currency put into circulation last year can be withdrawn. In addition to developing production, we can first, discard the false base figures reported at the end of last year, second, raise the interest rate for savings accounts in order to absorb vast amounts of bank deposits, and third, consider the feasibility of allowing people to order some expensive and much sought-after commodities in advance in order to withdraw surplus currency from circulation back to the central bank.

Commenting on the efforts devoted to improving the performance of the central bank, Chen Muhua said that in recent years, changes had taken place in the banking organs. In addition to the People's Bank of China, there are in China specialized banks such as the Bank of China, the Agricultural Bank of China, the People's Construction Bank of China, and the Industrial and Commercial Bank of China and other financial and banking institutions such as the People's Insurance Company of China, and the China International Trust and Investment Corporation. This is an important reform of the banking system. However, in dividing the functions between the central bank and the specialized banks, because of the

limited time and our lack of experience and knowledge, their relations have not yet been completely readjusted. This year, they will each attend to their own business. This year, the central bank will keep a considerable amount of funds in its hands in order to control the specialized banks' extension of credit and to strengthen objective control.

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FINANCE AND BANKING

IMPORTANCE OF ACCOUNTING CONTROL IN ACCOUNTING SYSTEM REFORM

Beijing KUAIJI YANJIU [ACCOUNTING RESEARCH] in Chinese No 1, 28 Feb 85 pp 45-46

[Article by Wang Yirong [3769 0110 2837] of Human Economic Management Cadres School: "Accounting Control Must Be Reinforced in Reforming the Accounting System"]

[Text] How should we begin with the reform in accounting? Where will be the breakthrough point? These questions deserve to be studied. From the standpoint of accounting methods, in my opinion, reform in cost accounting should be the focal point, and an accounting system that is rational, scientific and suitable for control requirements should be set up. From the standpoint of accounting management, we should first have strict and effective accounting control and then develop it into a complete accounting management system. This article will present some tentative views on the question of reinforcing accounting control in the accounting system reform.

(1) The Need for Accounting Control

Industrial enterprises are economic organizations producing material objects (including labor). In the process of production and business operation, they must stress the products' use value and the realization of value. Under the law of value and the impetus of competition, the importance of control over the process in which the value of products is formed has become increasingly obvious. An enterprise must produce products of use value and with good economic results. Profit is a major indicator of economic results, and in order to obtain good economic results, it must effectively control the process of value formation in the same way it controls the use value formation. This is necessary for the enterprise's own survival. Control over formation of value will ensure the realization of the expected economic benefits. This control has its effects at least in the following aspects: 1) It ensures a step-by-step realization of the expected economic results and the prevention of irretrievable losses. 2) Besides service as a "pressure gauge" and a "temperature gauge," it is also a "value meter" showing the existing problems so clearly that they can be easily analyzed. It will also prompt the adoption measures according to the law of value to avoid the loss of good opportunities. 3) It will promote technical renovation and transformation and the use of new technology, new techniques and new equipment. 4) It will bring about a rational organization of production and increase labor productivity. 5) It

will help in the enforcement of the economic responsibility system and the principle "to each according to his work." 6) It will encourage the broad masses of workers and staff members to act as masters of the enterprise with diligence and frugality, to strengthen their concept of collectivism, and to fully arouse their enthusiasm in invigorating the enterprise's economy. All these effects show that accounting, as a means of "controlling the process and summing up the concepts" naturally becomes the best instrument to control the process of value formation. From this, we can see that accounting control over such a process is a necessity in the production and the business operation of an enterprise.

(2) Characteristics of Accounting Control

Accounting control has the characteristics of being comprehensive, timely and accurate in addition to the element of mass participation.

Accounting control is part of accounting management which, in turn, is a component of economic management. Therefore, to economic management as a whole, accounting control is a subsidiary which also has its own subsidiaries at a lower level. We all know that the value of products is formed in the entire process of production and business operation. Therefore, whenever labor is consumed on any object of labor, the value of product is formed and the control of value--namely accounting control--is needed. For the same reason, accounting control should become the control of the entire process of production and business operation either vertically or horizontally and with a general as well as a sub-index. If accounting control is not sufficiently comprehensive in scope, it will not be able to guarantee the expected economic result. We have had a serious lesson in this respect. Some years ago, when the contract system was introduced among the enterprises, some of the contracts covered only wages, but not materials, while others covered only materials but not wages and other expenses. These contracts were not related to the total cost and total profit so that while the contracted items were brought under control and yielded some savings, the expenses and bonuses were excessive. Consequently, there was neither decrease in the cost nor increase in profits, and the economic result was poor. Therefore, accounting control must be exercised throughout the process of value formation.

Timely accounting control means the timely formulation of the criteria of control, the timely relay of these criteria to the lower levels, and the timely feedback of information. This is of great significance to accounting control as a whole. If the criteria of control are not worked out in time, the enterprise's goals will not be known to everybody and the workers will not be clearly aware of their own responsibility. These criteria will not be able to serve as guideline for everybody. One of the experiences of success in modern management is to let all the workers and staff members in the enterprise clearly understand its general goal, and to inform the person responsible for a task of his goal in advance, so that his individual action will be consistent with the enterprise's general goal. Untimely information feedback, on the other hand, would lead to the loss of good opportunities, the increase in losses and decrease in profits. Sometimes, it may confuse the analysts or distort things beyond recognition. Worse still, it may annul all previous gains and bring irrecoverable losses to the enterprise.

Accounting control is closely related to account auditing. Accounting control calls for real and dependable data and accurate calculations, or it will be ineffectual. The control indices must reflect the characteristics of various controlled links and combine them to form a complete index system to be coordinated with the general goal of the enterprise. There must be mutual regulation between the indices in order to avoid wrong judgement.

The purpose of accounting control is no other than to develop the efficiency of people and the utility of things. In the final analysis, it means giving full play to people's initiative. In working out the criteria of control, we must rely on the broad masses. If we want to reach our goals smoothly through practice, or to analyze and correct any mistake that has come to light, we likewise have to rely on the masses. Laborers are the masters of socialist enterprises, and people have identical interests. This will provide a solid mass foundation for accounting control. Especially after the adoption of the economic responsibility system, the laborers have mingled their own interests with those of the enterprises, and through "control," they can measure their own standards. The laborers or the laboring masses must also have control over their contribution to the state and the enterprises as well as their own private gains. Reliance on the masses, adherence to the mass line, attention from the leadership, and a combination of experts and broad masses will provide the organizational guarantee of effective accounting control.

The comprehensiveness, timeliness, accuracy and mass nature of accounting control all combine to form an indivisible entity, although in actual work, some of these components may deserve greater emphasis than others do according to the concrete conditions. As a whole, however, none of these four components can be lacking.

(3) Methods of Accounting Control

I believe that accounting control should be focussed on what is taking place (although this does not mean that the control to be exercised in advance or afterward can be neglected at all.) At present, among the methods of control currently used in industrial enterprises, some are effective and others deserve further study. Take cost control for example. Since cost accounting is now carried out by categories of products, some difficulties are experienced on the question of responsibility in the process of production and business operation. The responsibility for consumption in the process of production must be borne by each workshop, work team, work shift and each individual worker before value control can be really effective. Therefore, it is unnecessary to calculate the cost first and then work out the criteria of control in a round-about way, since such a method would increase the workload and is apt to cause "distortions." From this point of view, the way to improve and perfect the method of cost accounting is to make maximum use of the data and to carry out timely accounting control. This is a very important matter. Some enterprises have opened detailed accounts for the departments and workshops in each factory, and for the work teams and work shifts as well as individuals in each workshop. This method can be tried out.

There are also certain aspects for further study in the control of funds. The time value of funds is one of them. In accounting, the figures indicating the use of funds usually show the average balance (or the average amount in use). Along with the growing vitality of enterprises, the use of funds by enterprises has also become more flexible. The time value of funds should be duly accounted for and serve as a criterion of verification in fund control. Even though the time element is considered in calculating the average balances of fixed funds and circulating funds, this time element is different from what is originally implied by the time value. Furthermore, the time value of funds for certain items cannot be expressed by the average balances. That is why it is necessary for the indices of interests and the rate of investment return to be included in the fund control system.

Control over the enterprise's business results (profits) is usually overlooked by some people. The internal profit control in the departments, workshops, work teams, work shifts and individuals, all within an enterprise, should be strengthened so that the fruits of labor can be more directly shown, and individual control can be combined with comprehensive control. The internal profits must be linked with the enterprise's general profit so as to avoid the risk of empty profits for the enterprise.

Under the impetus of reform in the economic management structure, the reform in accounting has now become a necessity. However, reform is by no means a matter of "reduction" and "simplification." There should also be a higher degree of details and perfection, and precise accounting control needs to be perfected and strengthened. Through practice, we should discover some method of accounting control that is compatible with our national conditions.

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FINANCE AND BANKING

BRIEFS

JILIN TAX REVENUE--In the first quarter of this year, Jilin Province set a record high in tax revenue. Tax departments across the province collected a total of 691.09 million yuan in taxes, including taxes shifted from profit-delivery, a 24.6-percent increase over the corresponding 1984 period. Of this, industrial and commercial tax revenue amounted to 484.66 million yuan, 28.2 percent of the annual target. [Summary] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 17 Apr 85 SK]

GUANGDONG TAX COLLECTION--The amount of taxes collected in Guangdong Province in the first quarter of this year was some 2.01 billion yuan, an increase of 72.2 percent over the same period last year; and increased by some 840 million yuan, a record. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 24 Apr 85 HK]

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MINERAL RESOURCES

MANGANESE DEPOSITS IN GUANGDONG REEVALUATED

Guangzhou NANFANG RIBAO in Chinese 17 Mar 85 p 2

[Article by Wang Rongzeng [3769 2837 1073] and Liu Guohua [0491 0948 0553]:
"Transformation of Sankeng Manganese Mine in Jiaoling Accelerated after
Reevaluation by Engineers"]

[Text] After intensive prospecting and careful analyses, engineers Lin Huixun [2651 6540 8113], Song Qiwen [1345 0368 2429], Zhang Zhenglun [1728 2973 0243] and Zhong Guoru [6988 0948 0320] of Jiaolong County Manganese Company have produced proof to correct the conclusion reached by the former geological department that the ore bodies in No Fu-1 mine of San Keng, Jiaolong, are small and of no metallurgic industrial value. The Ministry of Metallurgy and the Provincial Manganese Company decided to classify this mining zone as a "small manganese mine transformation project for supporting the locality." At present, construction of No Fu-1 Mine is being carried out in earnest.

Jiaoling County has rich manganese resources, with a manganese belt 45 km long and 4-6 km wide running from the north to the south in the county. San Keng is one of the locations with the larger manganese deposits. In the past, the geological department concerned conducted a general survey for the purpose of supplying useful data for manganese mining. However, this department was of the opinion that most of the mines here were poor and that because of the excessive harmful substances, the ores are of no value to the metallurgic industry. Therefore, for many years, this mine was left to be developed by the people and no large-scale mining operation was organized. After conducting their surveys and analyses, engineers Lin Huixun, Song Qiwen, Zhang Zhenglun and Zhong Guoru submitted a tentative plan for the development of the Sankeng manganese mine at a provincial manganese conference in 1983. The provincial manganese company supported this plan and appropriated 86,000 yuan for their supplementary prospecting expenses. With the assistance of the provincial metallurgy design college and the Dabaoshan Iron Mine, these engineers spent nearly 3 months in supplementary prospecting, and then proposed that the ores in No Fu-1 should be upgraded from C2 to B + C1, since there is ample proof of a 500,000 ton deposit. They also confirmed that the ores, though of a fairly low grade, can be washed and combined with other ores to become third-grade metallurgic ores for the metallurgic industry. In the past several years, the use of these ores by the county and the other large iron and steel works, such as the Shanshan Iron and Steel Company and the Maanshan Iron and Steel Company has proved their fine quality and the consumers' satisfaction.

MINERAL RESOURCES

BRIEFS

JILIN DIATOMITE DEPOSITS--Some diatomite deposits have been discovered one after another in Jilin Province. Now the province ranks second in China in proven reserves of diatomite. According to an initial estimate, the diatomite reserves in the province have already attracted the attention of some foreign traders in the United States. A certain firm in the United States has already reached an agreement of intention with the department concerned in the province to commonly exploit and utilize these deposits. At the same time, diatomite has been listed as one of the five mineral products to be traded at the National Scientific and Technological Fair to be held in Beijing this May. [Summary] [Changchun JILIN RIBAO in Chinese 18 Apr 85 p 1 SK]

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23 May 1985

INDUSTRY

JINGJI GUANLI ON UPDATING EQUIPMENT IN PRC INDUSTRY

HK301325 Beijing JINGJI GUANLI in Chinese No 2, 5 Feb 85 pp 22-26

[Article by Fu Jiaji [0265 1367 7535]: "Problems of Development Strategy for the Machine-building and Electronics Industries" -- Edited by Zhang Hanya [1728 3352 0068]]

[Text] As to what policies we should adopt in facing the world's new technological revolution, there are many different opinions. Some representative examples of views put forward hold that our nation can transcend the traditional development stages and try hard to catch up. They believe that if by the end of the century we have reached the stage reached by Western countries at the end of the 1970's and beginning of the 1980's then at the same time the Western countries would have developed further and we will not be able to catch up. Thus China's position as a backward nation will be forever perpetuated. They advocate that we must start now in greatly developing knowledge-intensive and technology-intensive industries, and that the key points should be electronic computers, biological engineering, and optical fiber communications. Only in this way will we be able to catch up with the advanced Western countries. For this, "we must be willing to spend money," "every industry must be equipped with electronic computers and use them in their transformation. Using electronic computers is an effective way to achieve technical innovation and raise the ability to compete," "microelectronic technology must be used in transforming old equipment" and so on.

I believe that there are several areas where it is not our basic aim to catch up with the world's industrially advanced nations. If we try to do so, at the expense of upsetting the structure and making it impossible for economic results to be raised, then the benefits will not justify the costs. Thus, we must study development tactics by facing China's actual situation. It is possible to transcend the traditional development stages for some new industries and new technologies. However, traditional industries, especially the vast machine-building and electronics industries, have a profound influence on the development of the national economy, and on what the people eat, wear, and use. As to its overall development, we must take into consideration the entire economic base. This is not a problem which can be resolved by "installing digital displays and electronic computers on 40 percent of machine-tools." Formerly, there was a "digital control fever" and quite an amount of money was expended, but later this was reversed. Here I do not want to oppose

computerization or digitalization of machine-tools. Rather, I think that we should first investigate where the problems of the machine-building and electronics industries, especially of the machine-building industry, lie. Is it true that there are too few joint machine-building and electronics industry products? Or are there other reasons?

In the 35 years since the founding of the PRC, in expanding reproduction we have mainly relied on increasing the amount of fixed assets, stressing the speed of development, and going all out in setting up new factories. Thus, the newly-produced machines and equipment were mainly used in the new factories. Those factories which already had equipment basically saw no renewal of that equipment and thus implemented a policy of "mainly relying on repairs."

Since liberation, investment in capital construction has totaled about 600 billion yuan. The industrial fixed assets formed by 1982 totaled 407.2 billion yuan. If we take into consideration their depreciation, their net value was 269 billion yuan. The current value of fixed assets in enterprises in old industrial bases are even worse off. For example, in Liaoning Province, the figure is only 59.8 percent. The older enterprises among these are in a still worse position, with the equipment in 57 large and medium-sized backbone enterprises in Liaoning being valued at only 50.3 percent of its original value. In terms of the technical level, most of it is equipment imported from the Soviet Union in the 1950's or equipment copied later from such models. It should be said that it has already become seriously outmoded economically. In terms of its physical state, most of the equipment is substantially worn, and far from the state it was in when it left the factory. It has even reached the situation where many factories face the danger of having to cease production or at least cut back production.

Till now, this equipment investment policy of "mainly relying on repairs" has not undergone any great changes. Its major maladies are as outlined below:

First, it seriously hinders technological progress. If an enterprise does not update its technology and replace its obsolete equipment in a timely way, but relies on repairs to maintain production, the equipment, at best, will only be able to maintain present levels. It will not be possible to raise the level of precision or the level of efficiency. This is a basic cause of the current backwardness of the vast number of our nation's enterprises. For example, in the 1960's we imported the entire hydraulic components factory in Yuci, Shanxi from the Yuken Company of Japan. At that time, it was equal to the best in the world. Now after 20 years, we still rely on repairs to maintain the equipment's operation. Not only is there no improvement of the equipment, but much of the key equipment does not perform as well as it did when new. On the other hand, the equipment of the Yuken Company in Japan was completely replaced long ago. Not only was product quality raised, but labor productivity was trebled. If we do not change this equipment policy of "mainly relying on repairs," no matter how much may be spent on importing equipment, after a few years it will all suffer the same fate. We should note that at present there is no way to eliminate this danger.

As the level of equipment has not been raised, it has been impossible to improve the quality of the products produced on the machines. It can be said that this is major reason for the "consistency" of our nation's products over the last few decades. According to estimates, only 10 percent of our nation's machine-building and electronics products are of the world's 1970's level, and only 35 percent are at the world's 1960's level. The other 55 percent are at the 1950's level or lower. Our nation has 3 million metal-cutting machine-tools, second in the world in terms of numbers. However, over 80 percent of them were produced during the "Great Leap Forward" and the "Cultural Revolution," and are inherently deficient. Their designs are outdated, they were manufactured in a rough and slipshod manner, they have poor precision and their efficiency is low. About 43 percent of the products they produce are of a 1940's or 1950's level. This backward situation in the machine-tool industry of course affects the quality and performance of the products of the machine-building industry. At present, the short supply of energy has become a major factor in our nation's economic development. An important reason for this energy shortage, however, is the backwardness of the equipment. According to the development plans for the year 2000, we must double energy output and quadruple production value. However, in terms of energy consumed as a percentage of GNP, our nation ranks 113th in the world. The best efficiency of industrial boilers which consume approximately one-third of total coal produced is about 20 percent less than those abroad. The consumption of gasoline by vehicles is 20 to 30 percent higher than abroad. The efficiency of wind-powered machines [feng ji 7364 2623] is also 20 percent lower than abroad, while the efficiency of water-pumps, which consume about 20 percent of the electricity produced in the country, is over 10 percent lower than abroad. Also, because the precision of product processing is poor, and the added value is small, we only export a small amount of products, mostly low-grade goods. Most of these products only have a price approximating the value of the raw and semi-finished materials used in them.

Thus, the problems of our huge traditional industries are not problems which can be resolved by electronic computers, biological engineering, and optical fiber communications. Even if, by the end of the century, our machine-building and electronics industries are, overall, able to reach the world level of the end of the 1970's and beginning of the 1980's, there will still be the need for great reform. This will certainly not be easy.

Second, this equipment policy of "mainly relying on repairs" results in lopsided development of the machine-building industry. It produces a huge maintenance industry where technical levels are poor, production efficiency is low, and costs are high. At present, the maintenance industry throughout the nation uses 32 percent of all metal-cutting machine tools, the highest rate in the world. Take the Shanghai No. 1 Machine-tool and Electronics department as an example. There are 418 enterprises and 189,000 workers under this department. Of these workers, 18,300 are maintenance workers who utilize 170 million yuan of fixed assets. They carry out overhauls of 8,000 machines a year, on the average. It costs an average of 4,497 yuan to carry out an overhaul of an ordinary C620 lathe, 1.9 percent more than it costs the machine-tool factory to produce a new one. However, the workers in this department's machine-tool company number only 15,000 and use 229 million yuan of the fixed assets.

Each year they produce 14,000 new lathes and turn over upwards of 64 million yuan in taxes. Throughout the whole country, it is certainly not unusual to find situations where overhauling equipment costs more than producing a new piece of the same equipment.

The equipment policy of "mainly relying on repairs" has many other maladies but I will not discuss them in detail here.

As to the reasons for the tardiness in renewing equipment, they can be summed up in three points:

1. For several decades, in our construction policies, we have concentrated funds and equipment in building new factories and setting up new operations. The new equipment produced did not allow the existing factories to renew their equipment and thus forced them to adopt an equipment policy of "mainly relying on repairs."
2. The depreciation rates are low and depreciation funds, in the main, have not been used on equipment renewal. The original national average depreciation rate was less than 4 percent. In the last few years, this has been raised, but only to 4.2 percent. If all the depreciation funds were used for renewing equipment it would still take 25 years to complete a replacement cycle. However, after liberation, from 1952 to 1966, 70 percent of depreciation funds were handed over to the financial administration and diverted to government use. From 1967 to 1977, the funds were not handed over, but they were used by the regions and enterprises for new construction and extension projects. None of the funds were used for equipment renewal. After 1978, 30 percent was handed over to the government and 20 percent was handed over to the region or responsible department. The enterprises were left with only 2 percent of the original value of their fixed assets. Concerning this limited deduction allowed for depreciation funds, the state and the upper-level departments issued many explicit regulations in regard to its expenditure. There were too many to handle. For example, there was energy-saving, "three wastes" management, the popularization of new technology, staff training, buying government bonds, building staff accommodation, and so on. Many enterprises did not have enough funds for these projects even after expending all their depreciation funds. There was certainly no funds for equipment renewal. Thus the technical progress of the present enterprises is a mere scrap of paper. The Shanghai region has developed most quickly in equipment renewal work. According to statistics for 1978 and 1979, the average annual rate for the renewal of old machine-tools throughout the city area was 0.34 percent. At this rate, it would take 149 years for all the machine-tools in the city to be renewed. The Shanghai No. 1 Machine-tools and Electronics Department had a renewal rate of 0.856 percent over the 4 years from 1977 to 1980. It will still take 117 years to complete a renewal cycle.
3. Having "consistent" products for the last several decades has seriously affected the enthusiasm of enterprises for equipment renewal. Because the depreciation systems, detailed above, were implemented, the enterprises were not able to renew their equipment. However, even if the depreciation system is changed and depreciation rates raised, the present products of the machine-building and electronics industries will not be able to adapt to the need to

renew the equipment of 400,000 enterprises. For example, many users of water pumps have wanted to change their high energy-consumption pumps. However, it is only in the last few years that a few water-pump factories have started to produce some energy-saving pumps. The number of factories involved however is small and it will take decades to carry out this sort of renewal.

In facing the situation outlined above, I think the machine-building and electrical enterprises should first grasp the following problems:

First, the machine-building and electronics industries should be aiming at achieving the world level of the end of the 1970's and the beginning of the 1980's, for their major products. Also, on the basis of improving economic results, they should escalate the renewal of their products so as to improve produce performance.

For example, improvement must be achieved in terms of the precision of machine-tools, the consumption of gasoline by vehicles, the efficiency of machines, pumps and valves, and the dependability, price and diversity of electrical goods for the house. Some products, in accordance with performance demands, can adopt electronic technology, even computers, but the majority of products have not reached the stage where it is necessary to combine machine-tools and electronics. When there is the need, we should cause these products, which have for decades been "consistent," to reach the world levels in one step or in a series of steps within a certain time. Of course, apart from getting rid of the inflexible regulations of government departments and the legal restrictions, it will also be necessary to have funds, equipment and scientific and technical forces guaranteed.

Escalating renewal of products and technical progress of equipment is a continuous process. It is a constant task for enterprises and for the overall industrial organization. One cannot just engage in it for a short time and then not change for several years or even several decades, as occurred at the hydraulic components factory in Yuci, Shanxi. If we import projects, we must still continue to pay attention to technical progress, and to observe the trends in foreign enterprises in the same industry. It is necessary to study household products, renew equipment in a timely way, improve products in accordance with the times, and carry out escalated renewal. In this way we will achieve a better result than we have today. Technological progress cannot rely on breakthroughs, having one plan for decades, and after that another plan. This will not reduce the differences between the products of China and foreign products.

Second, the machine-building and electronics industries must carry out reorganization on the basis of specialization. This work must be grasped seriously.

Formerly, there was a very common problem where an idea was put forward, and names were changed very quickly, but in reality nothing actually changed. Nameplates for specialized companies were hung up "overnight." However, after several years essentially nothing had changed. People worked as they did before, the equipment was still the same old types, and it was difficult to hear oneself speak. They were insults to their "specialized" nameplate.

For example, of those enterprises specialized in equipment overhaul, there are now only the two general machine-tool overhaul factories in Tianjin and Shanghai remaining. Their charges for overhauls are no lower than what it costs the "large and complete" factories to do it themselves. Also they are not too punctual. Thus they are not really welcomed by users, and make only small profits or incur losses. If they had not been given appropriate subsidies and administrative orders by the higher level departments, or "used production to support repairs," they would have been disbanded long ago like those in other cities.

In carrying out reorganization in accordance with the principles of specialization, we must correct the tendency to look down on specialized factories, especially small specialized factories. Some people are quick to build factories which are "large and complete" or "small but complete," and which are not lacking in staff for anything. They only consider their own convenience, and do not think about economic results. "Large and complete" or "small but complete" are not rational organizational forms for industrialization. We should use administrative orders or economic levers to promote the development of specialized factories. (Editor's note: Whether administrative orders are able to resolve this problem is worthy of exploration. The key lies in the supply of superior and cheap service by the specialized factories and their replacement of large and complete or small but complete factories through competition.) This does not require investment and does not require sophisticated technology. We can see this from the way Japan developed vigorously. In the 1950's, the main forms in Japan were "large and complete" or "small but complete." In 20-plus years, there have been great changes, and therefore their experiences in reorganization are useful for our reference.

Third, we must thoroughly get rid of the equipment policy of "mainly relying on repairs," and speed up equipment renewal and technical transformation.

"Mainly relying on repairs" is not a manifestation of being "industrious and thrifty," but a conservative technical policy. Changing the policy of "mainly relying on repairs" does not mean that all the equipment is going to be thrown away. Under the conditions of guaranteeing technological progress and achieving reasonable economic results, it is also necessary to carry out required overhauls frequently and on an appropriate scale.

However, in regard to equipment, the basic point should be the promotion of technological advancement. Equipment renewal and technical transformation are the basic avenues for technological advancement. This advancement and the escalated renewal of products are closely related. If we do not engage in equipment renewal and technological transformation, the products of enterprises will inevitably be "consistent" for decades. If there is no escalated renewal of the enterprise's products, it will be no good carrying out technical transformation of the equipment. The two are complementary.

Neither equipment renewal nor technical transformation should be carried out blindly. They must be combined with the production of new products and the raising of the productivity rate. That is to say, in renewing any equipment and in transforming any item it is necessary to proceed from the above aims.

The renewal of equipment does not mean overall renewal. Abroad, if an enterprise is producing advanced products, they retain some of the old equipment.

During the equipment renewal, there will also be management and systems problems, and we will not be able to overcome them all with one solution. We need only look at the example of computerized and digital-control machine-tools. Actually, we have for many years been importing many computerized, digital-control machine-tools. Has this equipment played the role it has abroad? What is the utilization rate for our numerous pieces of precious, high-level equipment? Has it "worn out" or has it been outdated? These questions all require much thought. This renewal is not a form, but a function. The renewal of equipment stresses technological renewal and not just the simple renewal of products which have been "consistent" for decades. The former is part of technological advancement while the latter only corresponds to the overhaul of equipment.

At present, most of our nation's 100,000-plus machine-building and electronics factories should carry out renewal. As they lack both funds and equipment, the state should carry out planned, sequential renewal of the enterprises in accordance with their influence on the national economy. In this, the machine-tool industry and the equipment manufacturing industry should take prime position. These should be renewed first. However, in these sectors, we should not necessarily centralize all our strength in digital-control machine-tools.

At the same time as we renew equipment we should pay attention to carrying out modernized refitting of old equipment which still has use value. "Refitting" is quite a direct method, and accords with production. Results are seen quite quickly and required investment is small. Thus, it has become a means of eliminating economic wear and tear on the machines. Refitting can use modern scientific and technological results and advanced experiences, and in accordance with the demands of production, can change the technical functions and uses of the existing equipment. Thus all the equipment, or most of it, will be able to reach the level of modern, new equipment. For example, the Shenyang heavy machinery works combined overhauling with the refitting of a 1930's Japanese 6-meter vertical lathe. It added roller-bearings to the main axle box and completely remade the direct drive system. This resulted in the gear changes and the take-up being like those on newly-produced equipment. This resulted in the failure rate falling to 3 or 4 percent from the 18 percent prior to refitting. To buy a new product of the same type would require 740,000 yuan, and the quality would not be stable. The refitting only cost 160,000 yuan.

The modernized refitting of equipment is extremely important in regard to precision equipment, large-scale equipment, and scarce equipment. It is possible to spread the modern devices found on new machine to the older equipment which requires them.

However, at present, everyone is carrying out refitting work in their own way. Much work is being duplicated and standards are not improving. We lack unified plans and unified production in improving quality. All responsible

departments should set up relevant planning institutes and research offices, and centralize plans. They should also appoint certain equipment-producing factories to produce devices and semi-finished products for use in refitting. They should also use economic methods to encourage equipment manufacturing plants to change their current operating work styles.

Fourth, Depreciation systems should be beneficial to promoting technical advancement.

Depreciation funds are intended to meet the costs of compensating for the physical wear and tear on equipment. They include funds compensating for economic wear and tear. They are not profits and are not taxes. However, these normal funds which are intended to maintain the "youthfulness" of the equipment, are often taken and used for other things. This has inevitably resulted in the equipment of existing enterprises being obsolete and old-fashioned.

We should set down appropriate depreciation rates for different classes of equipment, based on their patterns of physical and economic wear and tear and on a stipulated, reasonable period of use. We cannot just set down a standard of depreciation. The depreciation rates should not only be divided by category, but should also have further divisions within each category. Only in this way can we guarantee a source of funds for the renewal of all types of equipment, so that they will not be threatened with economic backwardness.

In order to speed up technical progress, and reduce the disparity between ourselves and technically-advanced countries, on the basis of reducing the number of years equipment is to be in service, we should raise depreciation rates in accordance with different categories of equipment. We will thus guarantee that there are sufficient funds for equipment renewal. Excessively low depreciation rates are a manifestation of slow technological progress, and cannot embody our system's superiorities. Some people are worried that raising the depreciation rates will increase costs. Seen simply in terms of accounting, this is true. However, we should recognize that the most important component of costs is not depreciation funds, but the consumption of raw and semi-finished materials and labor in production. If we raise the depreciation rates, and are able to use advanced equipment and new technology in a timely way to produce good products, it will be possible to reduce on a grand scale the costs of raw and semi-finished materials, fuel, labor, wages and other materialized and live labor consumption. This will not only reduce the cost of producing the products but will also reduce the costs to users of using the products.

We should not only raise the depreciation rates, but should also gradually adopt the accelerated depreciation method widely used in Western countries. This will be beneficial to promoting the full utilization of equipment. At present, the utilization rate of equipment in most machine-building industry enterprises does not reach one-half. The poor economic results of many enterprises are related to the low utilization of equipment. Accelerated depreciation is a good method of stimulating enterprises to increase the

utilization of existing equipment and limiting the blind expansion of the amount of equipment owned.

On the basis of the reform of the depreciation system as noted above, we should also leave all depreciation funds with the enterprises, regardless of whether they are new enterprises or old enterprises. The state can use all kinds of economic measures to control the use of depreciation funds left with the enterprises. It can urge the enterprises and supervise them in maintaining a certain level in terms of their fixed assets, so as to maintain their economic strength.

Only in this way will the enterprises have the financial power to carry on regular technical advancement to maintain the enterprise's advanced nature. In this way it will not be necessary for an enterprise once every 10 years or so, or even every few decades, to reckon up its backwardness, and have to rely again on state funds to "save" its life.

Depreciation funds are an important source for investment in equipment. However, in the situation where technological advancement is developing so quickly, it will not be enough just to rely on an enterprise's accumulated depreciation funds. In accordance with the demands of technological advancement, and the state's technological policies, the state should provide enterprises with credit at different interest rates. This will promote investment in equipment by enterprises. The enterprises will then be able to use the profits obtained from the new products produced, to repay the loans.

Also, it is necessary to stress that the reform of the economic structure will be very important in economizing on investment in new technology. If the policies are carried out well, after the economic responsibility system starts to play its role, one digital-control machine-tool will be able to carry out the work of two or even three standard machine-tools. If the policies are not implemented well, the enthusiasm of the masses will not be brought fully into play, and several digital-control machine-tools will not be able to carry out the work of even one standard machine-tool. Thus, while paying attention to increasing "hard" investment, it is also necessary to pay attention to reforming the "soft" systems, so that the policy makers in enterprises will spend the state's money in the same way as they spend their own wages.

Fifth, we should strengthen research and development work in the machine-building and electronics industries.

There is no doubt that achieving the task of quadrupling output value will require increased labor power and investment in machinery. However, today when science and technology are so advanced, the role of scientific and technological advancement will play an increasing role in achieving this goal. According to the estimates of an American economist, 68 percent of the growth in the U.S. economy over the last 40 years can be ascribed to scientific and technological advances, while only 32 percent is due to increased labor power and investment. Soviet economists estimate that 70 to 75 percent of the increase in labor productivity during the 1970's was due to technological progress.

The industrially advanced nations invest huge amounts of labor and funds in scientific research every year. Developed capitalist countries spend 2 to 2.5 percent of their GNP every year on scientific research. In the Soviet Union, this figure is 3.5 percent. It is very clear that if we do not engage in research, we will not be able to produce new products and will not be able to master new technologies and new techniques, and in competition we will be the losers. The manager of a Japanese company has said that if scientific research funds of an enterprise total 1 percent of overall sales, the enterprise will have trouble existing. If this figure is 2 percent, the enterprise will be able to maintain its operations. Only when the figure reaches 5 percent or above, he says, will the enterprise be really competitive. Of course, this is a very sweeping analysis. The governments of all developed countries take some measures to promote investment in scientific research by enterprises. For example, the U.S. Government uses increased tax rates to restrict the growth in profits of enterprises which reduce their investment in scientific research in order to draw off more profits. Only by making such great efforts will we be able to produce new products which are well-known throughout the world, develop large-scale equipment and complete sets of equipment, formulate and realize great long-term technological plans and so on.

By comparison, we only concern ourselves with current production, are unwilling to spend large amounts on scientific research, and lack technical reserves. This is one of the major reasons for our being unable to produce new products.

If we do not expend our strength in research development, then we will only be able to import other's products and we will always trail behind those others.

Another question which deserves attention is the quick transfer of scientific research results into forces of production, into products needed in the market. Of the scientific research results achieved in the United States, about 80 to 85 percent can quickly be used in production. The 8,000 people in the Hitachi company's scientific research organs expend nearly 100 billion yen every year on scientific research. They carry out research and development work based on the user's needs. They identify market demand through their operations departments, collect intelligence from companies both at home and abroad and also gain intelligence from academic circles. They also aim their products towards the demands of users in regard to product functions, and carry out research on new products required and on the new products which scientific and technological development can supply to the society. All this is worthy of our study.

CSO: 4006/582

INDUSTRY

PRC CIRCULAR ON STATE INDUSTRY, COMMERCE RESULTS

HK011051 Beijing JINGJI RIBAO in Chinese 22 Apr 85 p 2

["Circular by State Economic Commission and Ministry of Finance on Results of State Industry and Commerce in Reversing Losses and Increasing Profits in 1984"]

[Text] In 1984, impelled by the policies of reform, opening to the outside world, and enlivening the domestic economy, all localities and departments earnestly implemented the circular approved and transmitted by the State Council on the report on the work of reversing enterprise losses and increasing profits. Industry registered marked results in making up deficits and increasing profits. In commerce, a great deal of work was done to expand the scale of business, make the market brisk, and accelerate the turnover of funds. Due to various reasons, the results of reversing losses and increasing profits were not good enough.

I. Results of State Industry in Reversing Losses and Increasing Profits

In 1984 the total output value of the budgeted state-owned industry increased by 10.6 percent over 1983. Its sales income increased by 10.4 percent and its profits and product sales taxes went up by 10.6 percent. State revenue increased by 12 percent (calculated in terms of comparable prices). Synchronized growth between production, profits and taxes, and state revenue was achieved. The 19 regions and the enterprises directly under 12 departments throughout the country attained simultaneous growth in profits and taxes, and production.

The characteristics of profit-making enterprises:

1. The amount of profits of the large profit-making enterprises increased. According to an analysis of 372 enterprises from 14 regions including Beijing, Hebei, and Jilin which created profits and taxes of more than 10 million yuan each, 60 percent of the enterprises increased their profits, 1 percent maintained the same figure as the previous year, and the profits of 39 percent of the enterprises dropped. Profits dropped mainly in the textile, light industrial, and coal enterprises and enterprises processing forest products.

2. Production and sales expanded and profits and taxes increased by 10.5 percent. According to reports from some localities and departments, the main

factors for the growth of profits and taxes were: a) Profits and taxes increases due to expansion of production and sales accounted for 65 percent; b) decreased deficits accounted for 4 percent; c) the price of products readjusted (raised prices offset by lowered prices) accounted for around 20 percent; and d) the readjustment of product mix and other factors accounted for around 10 percent.

3. The processing trade was better prepared for the price hikes of raw materials. Due to the increased price of energy and raw materials, some profits of the processing trade went to the energy and raw materials trade. However, the processing trade improved the quality of its enterprises and adapted themselves to the price hikes, thus preventing the sharp increase of production costs.

In 1984 the number of enterprises running at a loss was 1,484 less than the previous year, a drop from 14.6 percent in 1983 to 11.6 percent. Deficits amounted to 2.16 billion yuan, 650 million yuan less than in 1983, the deficits made up accounted for 23 percent, failing to meet the target of 30 percent required by the state. However, most of the localities and departments took measures from the beginning of the year to turn deficits into profits. Under the circumstances of the price hikes of energy, raw materials, and transportation, the number of enterprises running at a loss and the amount of deficits were the lowest in recent years. This was not easily achieved. The provinces, autonomous regions, and municipalities which fulfilled the targets of making up their deficits included Beijing, Tianjin, Hebei, Jilin, Shanghai, Jiangsu, Zhejiang, Jiangxi, Hubei, Hunan, Guizhou, Shaanxi, Qinghai, Ningxia, and Xinjiang; those which nearly fulfilled the targets included Liaoning, Fujian, and Gansu; and those which made up less than 10 percent of their deficits included Shandong, Guangxi, Sichuan, and Yunnan.

Of the enterprises directly under various industrial ministries, those in 8 areas did not suffer from any deficits. Those which fulfilled the targets of making up their deficits included the ministries of water resources and electric power, geology and mineral resources, metallurgical industry, machine-building industry, electronics industry, aeronautics industry, ordnance industry, and nuclear industry and the ship-building and automobile industrial corporations.

The characteristics of the loss-making enterprises:

1. The proportion of deficits due to poor management dropped, while the deficits of a policy nature rose. In 1984 the amount of deficits due to poor management dropped by 40 percent as compared with the previous year. Of the total amount of deficits, the proportion of deficits caused by poor management dropped from 60 percent in 1983 to 40 percent. The deficits of a policy nature were mainly incurred in the coal industry (some deficits of the coal enterprises were also due to poor management). As a result, it was more difficult for the regions with a large proportion of coal industry to make up their deficits.

2. Large enterprises running at a loss achieved marked results in reversing losses. According to a survey of large enterprises incurring losses of over 1 million yuan in 15 regions including Tianjin, Henan, and Shandong, 234 enterprises made up 31.5 percent of their deficits, better than the 23 percent of deficits reversed by ordinary enterprises. Of this figure, 25.7 percent of the enterprises turned deficits into profits, including some large enterprises which suffered from deficits for a long time, such as the Tianjin ironworks, the Shenyang tractor factory, and the Wenzhou chemical plant; 44.8 percent of the enterprises reduced their deficits; 25.3 percent of the enterprises increased their deficits; and 4.3 percent of the enterprises, mainly in textile and light industries, suffered from new deficits.

3. New experience was accumulated. First, the measures taken for reform and invigorating enterprises promoted the work of turning deficits into profits. A free hand given to small state-owned enterprises in management invigorated the small enterprises. By subdividing the accounting units, the large- and medium-sized enterprises linked cutting down the consumption of raw materials and upgrading product quality with the responsibility system in factories and the interests of workers, and employed able persons, thus rapidly turning themselves into business and exploitation type enterprises. In a number of regions, the enterprises running at a loss carried out cooperation with the technically advanced enterprises to transform old products and develop new products. War industrial enterprises vigorously developed products for civilian use. Second, consultative services were carried out in the large enterprises running at a loss and in the enterprises which made less profits and their problems were tackled in a comprehensive way. For example, Tianjin municipality, the ministry of metallurgical industry, the state auditing administration, and the departments concerned analyzed the problems of Tianjin ironworks and helped the factory in solving difficulties, tapping latent potentials, and tackling problems, thus turning the deficits of the enterprise into profits. Marked results were achieved by the departments concerned in Shenyang in giving consultative services to enterprises running at a loss and by the retired accountants of Beijing textile bureau in solving practical problems for enterprises.

The problems of state-owned industry in turning deficits into profits:

1. The results of reversing deficits were not good enough in some regions. There were 11 regions in the country which failed to fulfill their quotas of reversing deficits. The situation was particularly bad in Nei Monggol, Shandong, Guangxi, Sichuan, and Yunnan. Apart from the coal industry which increased production and deficits, the sugar crops which suffered from natural disasters, and other objective reasons, it was mainly due to poor management. A few regions merely made general calls, but failed to take effective measures to help, urge, and push the enterprises forward.

2. Production costs rose. In industry the cost of comparable products went up by 1.3 percent, which did not fulfill the plan of cutting down the cost by 2 percent. The cost rose in all regions, except in Nei Monggol and Ningxia where it dropped slightly. The main reason was that the enterprises could not suit the situation of reform and did not take measures to tap latent

potentials and deal with the price hikes of raw materials. According to an investigation of 14 regions including Beijing, Tianjin, Shanghai, and Liaoning, the cost of production rose due to the price hikes of some raw materials and transportation, readjustment of wages, increase of depreciation charges, and other factors. By expanding production and sales and cutting down consumption and expenses, the enterprises succeeded in offsetting 60 percent of the above factors, equivalent to cutting down the cost by 1.5 percent. However, 40 percent of these factors had not yet been absorbed by the enterprises, which led to a rise in cost.

3. Overstocking of products covered up the deficits of enterprises. According to reports from Hebei, the abnormal phenomenon of increased output value and profits as well as overstocking of products appeared in some enterprises. It seemed that the enterprises made profits, but they actually incurred deficits. The amount of working funds increased, leading to the selling of old stock at reduced prices. Therefore, leading cadres at all levels should attach due importance to the practices of some regions and units in one-sidedly pursuing output value, irrespective of improving product quality, cutting down consumption, and enhancing market competitiveness.

II. Results of State Commerce in Reversing Losses and Increasing Profits

Retail sales of state-owned commercial enterprises in 1984 increased by 4.8 percent over the previous year. Their profits and taxes dropped by 5.4 percent, profits and tax payments delivered to the state went down by 7.3 percent, and the cost rose by 0.35 percent, which failed to reduce the cost by 2.3 percent as required by the state plan. The provinces, autonomous regions, and municipality which increased their profits and taxes included Heilongjiang, Shanghai, Gansu, Nei Monggol, Qinghai, Zhejiang, Sichuan, and Ningxia. Those which increased the amount of profits and taxes delivered to the state included Heilongjiang, Shanghai, Xinjiang, and Ningxia. The profits created by other regions and the tax payments to be delivered to the state dropped. The amount of deficits incurred by commercial enterprises increased by 30 percent over 1983. Apart from Gansu, Heilongjiang, Zhejiang, and Guangxi which reduced their deficits, the losses increased in all other regions and, in particular, doubled in Shanxi, Henan, Hebei, Anhui, and Jilin.

The characteristics of commercial enterprises in turning deficits into profits:

1. The large profit-making enterprises increased their profits, while the large enterprises running at a loss continued to incur deficits. The 63 large enterprises in the country which could make a profit of over 10 million yuan each, increased their profits by 13.5 percent. The 428 large enterprises which incurred deficits of over 1 million yuan each, increased their deficits by 7.5 percent.

2. The food trade did well in reversing losses, while the textile trade sharply increased its deficits. The food companies reduced their deficits by 6 percent, excluding the factor of price increases for the purchase of live hogs in the fourth quarter of the year. This was achieved mainly because the food companies at all localities reduced the intermediate links for the purchase

and sales of live hogs and the units under the country level implemented a coordinated process of "purchase, slaughtering, and marketing," improved the quality of purchases, and provided a fixed amount of allowances for the deficits of the sales area. The textile enterprises increased their deficits by 350 percent over 1983. This was mainly due to lowered prices for some fabrics and the cotton cloth and chemical fabrics sold by some regions at reduced prices.

3. There were big fluctuations in the recent work of reversing deficits. Compared with the previous year, commercial enterprises made up their deficits by around 9 percent in 1983. The deficits in 1984 did not decrease, but increased by 30 percent over 1983 or 18 percent over 1982.

The main reasons for the decrease of profits and increase of deficits in commerce were: 1) The losses incurred from selling the inferior commodities at reduced prices and from cancelling the outstanding problems and accounts left over by the past, of which loss from lowering the price of fabrics totaled 1.05 billion yuan, 750 million yuan more than in 1983. 2) A loss of 200 million yuan profits due to the price reduction of China-made watches. 3) Some small enterprises turned out profits totaling 140 million yuan after assuming sole responsibility for their profits and losses and carrying out independent management. 4) An additional amount of 140 million yuan was expended following the increase in purchase price of live hogs at the fourth quarter of the year. 5) Due to taxes levied on petroleum and hardware wholesale enterprises and on retail sales of pork in some localities, an additional amount of 200 million yuan was delivered for tax payments. 6) The quality of enterprises was poor and their operation and management were backward.

Owing to the bumper grain harvest, the grain enterprises increased their purchases and stock and the deficits from grain and edible oils sold at government price increased by 9.7 percent over 1983. The grain enterprises in all localities conducted a general inspection of their accounts, further improved their operation and management, actively promoted the sales of grain and edible oils at negotiated prices, expanded the production of fine rice and flour, vigorously engaged in grain transformation, increased the production of cereals and fast food, and accelerated the development of fodder production. In the year the profit-making enterprises increased their profits and taxes by 19.9 percent over 1983. Viewed from overall operation and management, the net deficits from the nation's grain and edible oils increased by 2.8 percent. The profits gained by Shanghai, Anhui, Hebei, Shandong, and Shanxi in business operation exceeded the deficits in terms of government adjusted prices. Henan, Hunan, Jiangxi, Ningxia, Gansu, Liaoning, Jilin, Yunnan, Guizhou, Zhejiang, and Sichuan reduced their net deficits.

The problems of state-owned commerce in turning deficits into profits that merit attention.

1. Some regions competed with each other in selling their fabrics at reduced prices, which extended the scope of price reduction and increased losses. For example, the commodities sold by Henan second tier fabrics centers at reduced prices totaled 646 million yuan, accounting for 99.2 percent of the total value of the 1983 year-end stock and incurring a loss of 194 million yuan. It is

necessary to sum up lessons and experience in these regions and to draw clear lines of demarcation in applying policies so as to avoid incurring further losses.

2. Indiscriminate apportionment of charges and production costs. Some enterprises purchased Western suits for their workers and staff and indiscriminately issued allowances and consumer goods to them. However, they did not disburse the amount from the profits retained by enterprises but included it in the production cost. These practices must be straightened out earnestly in accordance with the requirements prescribed in the State Council circular.

III. Suggestions on Doing Well the Work of Turning Deficits Into Profits in Future

1. It is necessary to conscientiously implement the spirit of the national conference on economic work, continue to follow the circular No. 64 (1984) approved and transmitted by the State Council on the report on the work of reversing enterprise losses and increasing profits, and regard the work of turning deficits into profits as an important matter. In connection with the new circumstances of economic reform, it is essential to make a study of specific policies and measures and to arouse the initiative of the loss-making enterprises. Industrial enterprises should overcome the practices of pursuing output value irrespective of quality and consumption. They should seek unity of speed and results and achieve synchronized growth in output value, profits and taxes, and revenue. Commercial enterprises should take an active part in market regulation, make strenuous efforts to improve their operation and management, curb the unhealthy tendency of indiscriminately raising or reducing prices, combine market supply with turning deficits into profits, and strive to cut down production costs and reduce deficits resulting from poor management.

2. Carry out planned management. The target for reversing deficits for industrial enterprises this year is to eliminate deficits resulting from poor management. It is necessary to take note of preventing the number of loss-making enterprises from increasing. All localities and departments should continue to implement the management responsibility system for reducing deficits and increasing profits.

3. In order to meticulously guide the work of turning deficits into profits, all localities and departments should lay stress on analyzing the problems of the large enterprises which have incurred losses and which have decreased their profits in a planned manner in groups and by stages. The reasons for enterprise deficits should be investigated one by one and effective measures should be taken so as to bring about practical results.

CONSTRUCTION

BRIEFS

ZHEJIANG RURAL TOWN CONSTRUCTION--Hangzhou 1 Apr (XINHUA)--Construction of new towns has been speeded up in Zhejiang's rural areas in recent years. In addition to 155 existing towns, the province constructed another 104 new towns last year. Following the development of commodity production in rural areas, the province has also taken steps to open new markets to facilitate circulation of commodities. At the end of 1984, the province had established more than 2,200 country fair markets, with a total volume of business amounting to nearly 1.7 billion yuan in 1984. The rapid development of township and village enterprises, whose total output value reached 15 billion yuan last year, has also given impetus to the construction of new towns. [Summary] [Beijing XINHUA Domestic Service in Chinese 0040 GMT 1 Apr 85 OW]

HENAN ZHENGZHOU MARSHALING YARD--Zhengzhou, 25 Mar (XINHUA)--The Henan Zhengzhou North Marshaling Yard, China's largest railway marshaling yard, has been completed. The opening ceremony was held on 25 March. The yard is the principal component of the Zhengzhou railway hub, and it is 480 hectares in area. Its operation will make important contributions to the development of railway transport. [Summary] [Beijing XINHUA Domestic Service in Chinese 0927 GMT 25 Mar 85 OW]

DEEPWATER BERTH CONSTRUCTION BEGINS--Nanning, May 7 (XINHUA)--Work started today on two deepwater berths in Beihai, one of 14 open coastal cities in Guangxi Zhuang Autonomous Region. The berths, accommodating 10,000-ton general cargo vessels, will be completed in late 1986 and increase the annual capacity of the harbor by 50 percent. The harbor trades with 132 ports in 67 countries and regions. Beihai is constructing an airport and will build a microwave communications project and highways. [Text] [OW071743 Beijing XINHUA in English 1551 GMT 7 May 85]

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DOMESTIC TRADE

JINGJI GUANLI ON DOMESTIC SALES OF SPECIAL ZONE GOODS

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[Article by Yang Zhihe [2799 1807 0735] reprinted from DUIWAI JINGMAO YANJIU No 49, 1984: "On the Principles and Demarcation Lines for the Internal Sales of Special Zones Products"--passages within slantlines published in boldface]

[Text] Some of the processing zones abroad have already acquired much experience regarding the problem of the internal sales of their products. However, as conditions differ in different countries, in drawing up the principles and demarcation lines for the internal sales of special zones products, we can only refer to but cannot copy their experiences. Only by starting from the reality of our country and of our special economic zones can we draw up feasible principles and demarcation lines with Chinese characteristics for the internal sales of special zones products.

Regarding the "reality" in our country, there are the following characteristics: Ours is a large and backward developing country with a relatively weak national economic foundation; in this large country with a population of one billion, there are 800 million peasants and the labor productivity is very low; it has rich resources and the rate of exploitation of these resources is not high; its national economy will develop too slowly if it depends on its own accumulation of funds, therefore, it needs to draw in foreign capital and introduce from abroad advanced technology and equipment to speed up its development; and despite its backwardness, our country's vast market is tremendously attractive to foreign businessmen.

Regarding our special economic zones, the major aspects of their "reality" are as follows: Our special economic zones are an outcome of the open-door policy implemented by our country. They shoulder the important tasks of attracting foreign capital, introducing advanced technology and equipment from abroad and promoting economic development at home. They cater to the demands of the market abroad and are conducive to putting our country's goods into the international market; and they have the motherland behind them and thus they can get extremely great support from the areas at home. Moreover, the formulation and implementation of the preferential measures provide favorable conditions for their development and for promoting the development of the domestic economy.

In view of the above-mentioned "reality," we can draw up the principles and demarcation lines on the internal sales of special zones products:

/First, selection of the categories of special zones products to be sold at home./ This can be decided in light of the following two principles: On the one hand the selection of the categories of products to be sold at home must be favorable for the areas at home as well as our special economic zones. To be more specific: 1) At the initial stage of the establishment of the special economic zones, we should have definite ideas on what kinds of projects we should introduce from abroad. We can either focus on introducing from abroad the enterprises that produce the goods that have a relatively great competitive edge in the international market or select the advanced enterprises that produce the products that our domestic products can compete with. We should allow both of the above-mentioned kinds of enterprises to sell their products at home. For these projects generally have advanced technology and equipment and can provide us with more things to exploit and they are thus projects that we "protect" at home. Therefore, these enterprises deserve "preferential treatment in the market."

2) The products that are sold at home must be to some extent advanced and must be the kinds of goods that our country has to import from abroad. If the quality and prices of these products are similar to the same kinds of foreign goods, we should give priority to encouraging the purchases of the products produced in our special economic zones. By so doing we will be able to support the production of the enterprises in our special economic zones, intensify the attraction of foreign capital and promote the introduction of advanced technology from abroad.

3) The products sold at home must be able to promote the development of other industries at home and thus bring about the effect of coordinating the forefront with the hinterlands. For example, the projects of promoting the development of domestic raw materials industry through utilizing large amounts of domestic raw materials. If we allow the products of this kind of enterprises to be sold at home, we will benefit the economy both in the special zones and in other areas at home.

4) The products for internal sales must not cause pollution, disturbance, or confusion to the economy or society at home and thus we will continue to maintain a fine social order.

We should allow partial internal sales of the special zones products that our country can produce but still fail to produce enough of to satisfy social demand.

On the other hand, for a special economic zone, the selection of the kinds of goods for internal sales at home should only play the role of protecting and encouraging the advanced and should not protect the backward. Therefore, generally we should not allow the internal sales of the products that are produced by technology and equipment that are not advanced and the products that cannot make relatively great contribution to the economy of the special zones and the domestic economy. Nor should we adopt measures to protect the

enterprises that obviously have no prospects of development, that have very weak labor, material, and financial resources and that have no latent advantage. We should solve this problem at the time when we are holding talks with foreign businessmen on introducing projects. In other words, we should not introduce from abroad enterprises that are not provided with information, that have poor technology, and that lack sufficient funds, technology, and reputation.

/Second, how big a percentage of special zones products should be put to internal sales?/ Generally speaking, the percentage is closely linked with the capacity of the domestic market. Ours is a vast country with a market that has a relatively large capacity. Therefore, the percentage of internal sales of our special zones products should be bigger than that of the processing zones abroad. Of course, there is still a difference in the percentage of internal sales for specific products. We should concretely analyze the actual situation.

First, for the enterprises with intensive technology and knowledge, the percentage of internal sales of their products should be bigger than that for the products of labor-intensive enterprises. The more advanced the technology, the greater the percentage of internal sales. Of course, judging by the present situation in our special economic zones; most of the products are those produced by labor-intensive enterprises and it is very difficult to judge the degree of development of the technology. However, from the point of view of the development of the special economic zones, the orientation for the development of the products of the special zones should mainly be technology-intensive and knowledge-intensive. Therefore, preferential treatment on the percentage of internal sales should be given to technology-intensive and knowledge-intensive products. As for labor-intensive products, we should appropriately restrict the percentage of their internal sales.

Second, we should concretely analyze the situation concerning the internal sales of the products of labor-intensive enterprises. Here, we should mainly consider the question of how much domestic raw materials and how many domestic components these enterprises consume. The more domestic products these enterprises use, the greater should be the percentage of the internal sales of their products; and vice versa.

/Third, the length of the period of internal sales./ Corresponding to the various above-mentioned factors, the length of the period of internal sales should depend on the position of the enterprises in the special zones and the role that these enterprises play there. In principle, if the technology and equipment are relatively advanced, if a relatively large amount and quality of domestic raw materials and semi-finished products are used, or if the enterprises can play a relatively great role in developing the domestic economy, the period of internal sales can be longer; and if the reverse is the case, the period should be shorter. But the period should not be shorter than at least 2 years. For generally speaking, a new enterprise usually will suffer deficits in the first and second years after its new products are put into production, and it will not be able to balance its income and expenditures until the 3d year. An enterprise will encounter even greater difficulties if we do not allow it to conduct internal sales of its products in the first 2

years. We should take particular consideration of the large amount of funds, technology, and labor and material resources needed in designing and developing advanced technology and products; therefore, out of the consideration of giving compensation, it is reasonable to allow this kind of advanced enterprise a relatively long period of internal sales of its products. Of course, as foreign investors generally tend to be speculative and attempt to occupy our market for a long time, the period of internal sales should be as rational and as short as possible so as to prevent the spreading of various kinds of unhealthy tendencies.

In short, the formulation of various concrete stipulations must all be carried out around the following central task: We should encourage the investment of advanced technology and equipment in our special economic zones, reduce the imports of backward enterprises, and encourage our special zones economies to develop along a technology- and knowledge-intensive orientation.

If the internal sales of special zones products can be carried out in accordance with the above-mentioned principles and methods, we may say that the internal sales of these products will not harm our domestic national industries. On the contrary, the internal sales may play a definitely positive role in boosting the development of our domestic industries. This is because if the products for internal sales are advanced and in short supply at home, then introducing these products from abroad will not give rise to competition with the same kind of enterprises at home. If the products for internal sales are nearly of the same level of the same kind of products produced by enterprises at home, then properly introducing them from abroad to arouse competition, will play a role in making them help each other and is conducive to making them jointly improve the quality of products and production technology in order to sharpen the competitive edge of our products on the international markets. These two are precisely the principles and demarcation lines that we should grasp when we are setting up our special economic zones and formulating our policies and measures for the internal sales of special zones products. Therefore, under the above-mentioned conditions, properly introducing competition will be good for our domestic national industries and special zones enterprises.

Of course, in implementing protectionist measures, a country may encounter many difficulties and a special zone which wants to satisfactorily implement protective measures for the internal sales of products, will certainly encounter many difficulties too. The problem related to the time limit for the internal sales of products is one of the difficulties. Because allowing our special zones enterprises to sell their products at home is, in fact, a kind of subsidization measure, thereby allowing our special zones enterprises to enjoy a "protective" monopoly. As a result, the enterprises which enjoy the treatment of allowing their products to be sold at home, want to continue the internal sales of their products on the excuse that they still have not grown up and are not strong enough and that they cannot sell all their products abroad in competition with foreign countries. Besides, the enterprises which may sell their products at home will frequently form the habit of relying on the domestic markets, because the state has provided them with "subsidizing protection." Thus, they do not strive to improve their technology and their ability to adapt themselves to the international markets. During the period of implementing our protection measures for special zones enterprises, certainly, problems like the above will also

continue to crop up. Therefore, in addition to drawing up the regulations on the selection of categories, proportions, and time limits related to products to be sold at home as much in accordance with our objective reality as possible, we should also strictly implement by legal means the terms of contracts. Only by so doing, can we ensure the smooth implementation of the policies on the internal sales of the products of our special zones enterprises. After the time limit for internal sales expires, if the enterprises really have practical difficulties in selling their products which are really beneficial to our domestic economy, we may allow them to sign, at our discretion, a new contract on the internal sales of their products.

CSO: 4006/582

DOMESTIC TRADE

GUANGDONG ECONOMIC AND TECHNICAL COOPERATION DISCUSSED

Guangzhou NANFANG RIBAO in Chinese 24 Jan 85 p 1

[Article by Luo Yuchao [5012 5940 3390]: "We Can Close Off Neither China nor Guangdong Province; Yang Deyuan Discusses the Problem of Guangdong Province's Economic and Technical Cooperation and Stresses That Developing Horizontal Economic Links Has Become a Problem Urgently Awaiting Solution"]

[Text] The need to further develop foreign imports, internal contacts and horizontal economic links has become a problem for Guangdong Province urgently awaiting resolution. This was pointed out by Vice Governor Yang Deyuan [2799 1795 0337] at the Provincial Economic and Technical Cooperation and Mutual Aid Conference on 23 January 1985.

Yang Deyuan said that conditions are now developing very quickly, the significance of Guangdong Province developing economic and technical cooperation is becoming more pressing, and the need to improve our knowledge is important. If we still use old ideas and methods to handle the work of economic and technical cooperation, we will be defeated in our economic reforms. Our proposed economic and technical cooperation is far different from the past old idea of only exchanging certain goods and materials. The present scope of cooperation is more extensive and includes more items, especially the constant reduction of directed planning and the expansion of guided planning, and many restrictions have been removed. All areas can develop their strengths, including mountain and poverty-stricken areas which also have great advantages. Conditions are very favorable. But on the other hand, these conditions have also put great pressure on us, and the age of simply relying on state allocation of goods and materials and state monopoly for purchase and marketing has ended. All areas must rely on their own efforts, and under the guidance of state planning, on each displaying their own abilities, adapting to market demand and making things both well and cheaply; all areas must develop their respective strengths based on their own conditions, take the road of cooperation and joint development and carry out cooperation and exchange in all areas such as funds, goods and materials, technology, management and qualified personnel. This will influence the success or failure of economic reform. Closing off neither China nor Guangdong Province will do. When discussing the results achieved by Guangdong Province in recent years in developing economic and technical cooperation, Yang Deyuan said that this work is now very decentralized, poorly organized and led, and very imbalanced throughout the province. We must thus strengthen organization, coordination and leadership, most important being transmitting information, exchanging experience, acting as go-between and cooperating with each other.

FOREIGN TRADE AND INVESTMENT

IMPROVEMENT OF FOREIGN TRADE WORK DISCUSSED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 1, 27 Jan 85 pp 12-14

[Article by Zhang Songtao [1728 2646 3447]: "Discussing Overall Plans for and Joint Development of Foreign Trade Work"]

[Text] Foreign trade is a major component of the national economy. An organic relationship exists between all foreign trade work. Correctly grasping this interrelationship and making overall plans in order to promote its complementarity, mutual progress and joint development are related to the major problems of comprehensively and thoroughly implementing the party's open door policy and initiating new conditions in foreign trade work. This article will discuss certain tentative perceptions of this problem.

I. We should integrate and make overall plans for using foreign capital, importing technology and expanding exports.

When discussing the problem of expanding exports in the past, we often paid attention to the proportional relations between the coast and the interior, and based on this, considered what changes could be made in product mix and thus understood the importance of improving quality as opposed quantity; or we found solutions through system reform or relaxing policies. But these methods alone have proven inadequate. Major system breakthroughs have been made, but in order to pave the way for the acceleration of foreign trade developments, a new upsurge in foreign trade is demanded, a series of specific methods are needed and all potential interrelationships and mutual effects of foreign trade work should be investigated and its organic relationships sought in order to invigorate service to foreign trade work. Clear plans have now been particularly made for foreign trade system reform such as separating the duties of government and enterprises, carrying out a proxy system for foreign trade and integrating industry and technology with trade. We should make full use of these new conditions, seize the opportunity and increase foreign trade exports.

We have done a lot of work in the area of using foreign capital and importing technology since the Third Plenum and remarkable success has been achieved. But an adequate understanding has still been lacking recently on how to use foreign capital, import technology, strengthen the technological transformation of old enterprises, spur the increased exchange of products and make more,

more advanced, and higher exchange export products competitive on the international market. We have conducted certain joint-capital and cooperatively managed projects, engaged in compensatory trade and carried out the technological transformation of certain old enterprises, but the pace is still slow and the area affected still limited. Although this has provided experience in promoting the increased domestic exchange of similar products and a model for reference, it has after all still been only conducted in certain "points" and time will still be needed to see its "overall" effects. In order to enable using foreign capital and importing technology to become effective ways of expanding exports, it will be essential to strengthen the interrelationship between and make overall plans for them. The following can be considered:

1. Through medium- and long-range planning, based on the production conditions of certain of China's key export commodities and integrated with predictions of their market prospects on the international market, we should actively utilize foreign capital, import advanced technology, transform existing enterprises and enable these products to greatly improve in quality and grade, thus raising their selling prices and expanding the proportion of our products on the world market. This will require integrating the planned export of products with the planned import of foreign capital and advanced technology (including advanced main engines or assembly lines, complete sets of equipment and electrical appliances), i.e. giving overall consideration to integrating export plans and foreign capital usage plans. This integration of plans is consistent with our increased emphasis on using foreign capital and importing technology to expand exports and with the increased exchange of those light textile, mechanical and electrical products specially produced for export by old enterprises.

2. Through actively using foreign capital and importing advanced technology, we should develop new export products. Several planning periods can thus be integrated to make overall long-range plans. During one or more 5-year plans, we should objectively stress importing and using foreign capital projects which can strengthen our foreign marketing competitiveness and develop new commodity exports, accelerate the development of China's maritime oil, coal and nonferrous metal resources and investigate the role these projects play in expanding exports during several future 5-year plans. We must in the future consider expanding the scope of foreign capital usage, and based on continuing use of Japanese overseas joint funds and resources, the World Bank and loans from organizations and governments of countries such as Italy, Denmark, Belgium, Kuwait, Sweden and Switzerland, more actively use all export credit, nongovernmental loans and direct investments. The experience of certain countries has indicated that if these funds and direct investments are used properly, quite good economic results can be achieved.

3. We should correct our understanding of using foreign capital and importing technology to expand exports, solve all ideological worries, eliminate "left" influences and go ahead with upholding the implementation of the party Central Committee's major policy decisions on foreign capital usage. All departments must cooperate closely, clarify duties and formulate specific measures to ensure implementation such as further relaxing policies, extending the number of years set for enterprise management and freeing some domestic markets.

enabling foreign capital to make profits; continuing to improve all legislation so as to relieve the misgivings of investors; solving specific problems such as implementing the domestic capital construction targets of foreign investment projects and the domestic matching of funds in order to benefit the successful accomplishment of the work of using foreign capital and importing technology to expand exports. Judged from the long-range angle, this will be a new way to save investment, realize quick results, improve speed and increase results and will be of major significance in our invigoration of foreign trade.

II. We should rationally and effectively use surplus foreign exchange, promote the import of technology, pay attention to both balancing foreign exchange and invigorating domestic construction and spur a great overall development in foreign trade.

The style, effect and results of importing technology have been discussed a lot during the past few years. We still often lack thorough research on the style of importing, and due to "indigestion," some imported projects have been lacking in creative ability and not had very good results. Since early stage preparatory work such as setting up projects and implementing matching funds has kept pace, the business of planning for imported projects has also often failed. Many obstacles, slow progress, poor results and confused management are now demanding prompt solution in the work of importing technology.

In order to enable China's surplus foreign exchange to be spent completely and used well, it will be necessary to promote domestic production, invigorate foreign trade and strengthen the import of technology. Integrating the two will thus be conducive to resolving the situation which has appeared in the past few years where imports have decreased and surpluses have increased thus hindering development of foreign trade.

The positive way to balance foreign trade now is to accelerate the pace of imports (mainly the import of technology) in order to spur exports and realize an overall upsurge in foreign trade. But we must not adopt the policy of reducing exports to try to achieve a negative balance between imports and exports. In order to achieve this, the following should be considered:

First, we should actively and carefully study how much surplus foreign exchange we can actually put to use. China is a country with a planned economy, and our ability to regulate the balance of international payments is stronger than that of Western countries. Loans from the Bank of China, other international financial organs and governments of foreign countries are all fund channels which we can use; quite rich gold reserves are a powerful backing for our use of surplus foreign exchange, and even if certain international political and economic unrest occurs, we still have the ability to quickly regulate our reserve levels without losing control. We thus think that we should liberate our ideology, get rid of overcautious and conservative ideas, fully tap China's existing fund (foreign exchange) potential and accelerate the pace of the four modernizations. We can now consider maintaining a fairly low foreign exchange reserve, even lower than the present world import-export quota levels of 2-3 months maintained by most countries, in order to solve the present contradiction of having tight financial resources on one hand and

clearly excessive foreign exchange reserves unable to be used on the other. This step should not only be regarded as a temporary, expedient measure, but should be considered an issue which we must pay regular attention to in the future.

Second, actively importing advanced technology is an important problem in effectively using these surplus foreign exchange funds. We must start in many areas such as planning projects, solving the problem of RMB matching funds and reforming the foreign exchange reserve method in order to promote the development of technology import along a correct and healthy path. We should mainly increase the import of advanced technology and key equipment needed for the technological transformation of existing enterprises, particularly light textile enterprises, in the near future. Based on the need for overall national economic balance, we must do a good job of feasibility studies and matching work in all areas and import a group of key medium- and large-scale projects to lay the foundation for new economic development in the "final decade." In order to enrich the domestic market, promote improved quality of domestic products and accelerate withdrawal of currency from circulation, we can also consider suitably importing each year a group of high-grade durable consumer goods which are in short domestic supply.

Third, we must strengthen unified management of technology import and overcome the phenomenon of too many government measures. We should formulate overall plans throughout the country for importing technology based on a division of trades, establish management methods for importing, digesting and creating and study how to use various ways of importing, digesting and creating and study how to use various ways of importing all advanced technology. We can select and use various ways of importing technology such as giving permits to transfer technology, dealing in key projects and purchasing technical assistance and equipment in order to import technology of various conditions, types and degrees of advancement. The goal is to enable imported advanced technology and equipment to create a high degree of productive forces on a fairly large scale in a fairly short period of time and to achieve genuine economic results.

III. We should further expand foreign economic and technical cooperation and explore the possibility of accelerating and spurring the export of equipment and materials.

Foreign contract engineering and labor cooperation is a new and developing enterprise with development prospects which is just unfolding in China. It is regarded as a comprehensive export with good results, has profound significance for expanding our export of products, and must be stressed.

China now has over 40 contract companies but most have not become economic entities. This situation is not conducive to arousing the enthusiasm of cadres, staff members and workers, and creates difficulties in improving the professional standards of this contingent, the spreading of the concept of temporary employment and key forces being easily dispersed. In order to spur the large-scale export of equipment and materials, we must start from this point, based on the returning spirit of separating the duties of government

and enterprises, we should begin to establish a contingent of foreign contract engineering companies which will be independent abroad, assume full responsibility for their profits and losses and have truly consistent duties, rights and interests. This contingent will be an economic entity, an enterprise, a new and reliable force for China in opening up to the world in this field and our hope in developing this cause. We should have a clear understanding of this.

We must next gain the confidence to spur the export of raw and processed materials and equipment and conscientiously solve existing problems. Our foreign contract engineering equipment and material costs now constitute approximately half of the total investment. But the value of the equipment and materials we take out is still less than one percent of the total contract. The potential is thus very great, markets are broad and there are bright prospects. The major obstacles currently hindering progress are blocked domestic goods supply channels, unfair and rigid domestic pricing and quality of some equipment and materials that is unsuited to needs. We thus recommend that the State Planning Commission list the goods and materials needed by contract engineering on national plans for overall balance and enable the goods and materials for these projects to be truly ensured, and that production and distribution in all departments should be treated equally and not blocked. We should consider that most domestic contract companies are recently established enterprises and give preferential prices for goods supplied to them for exported equipment and materials and guarantees of product quality, so that they can infiltrate the international market.

We should also consider relaxing policies for our overseas enterprises which are cooperatively run with other countries, integrate them with our foreign trade and encourage our enterprises to invest abroad. If products of our joint-run resource development enterprises established abroad are lacking domestically and need to be imported, we should give them separate product classifications. Those products which are imported according to national plans should be included in national import plans, and under similar conditions, should be priority imports and resold domestically. Domestic consumers should be priority imports and resold domestically. Domestic consumers should be encouraged to give priority under similar conditions to the use of other products not belonging to nationally planned imports; in areas such as foreign exchange payments and price difference subsidies, domestic consumers should all enjoy similar treatment for currently imported foreign products. In summary, we should integrate the development of foreign economic and technical cooperation as much as possible with our regular foreign trade so that they promote each other and develop together.

In addition, our foreign aid funds can also be flexibly used to spur exports. We can consider, for instance, providing certain recipient countries which have good relations with us, good potential for economic development and repayment ability, short- and medium-term low-interest seller credit in the name of certain of our companies and integrating foreign aid with exports, in order to spur the export of our equipment and materials and strive to quickly recover the loans.

To sum up, many relations in foreign trade work are an integrated network, and we should try to clarify existing legal affairs between them, make overall plans, enable all our work to promote and complement each other and welcome new and more prosperous conditions.

12267

CSO: 4006/456

FOREIGN TRADE AND INVESTMENT

OBJECTIONS TO CHINA'S LABOR EXPORTS ADDRESSED

Beijing XUEXI YU YANJIU /STUDY AND RESEARCH/ in Chinese No 12, 5 Dec 84
pp 37-38, 32

/Article by Zheng Baoyin /6774 1405 6892/: "Why Socialist Nations Must Still Export Labor"?

[Text] International labor exportation generally involves a nation sending its people to work in other countries in return for a certain amount of labor service income. China refers to this kind of exportation as international labor cooperation, which includes project contracting as well as simple labor exportation. International labor cooperation has become a new area in international economic cooperation which is attracting the attention of an increasing number of countries and must not be ignored.

With its teeming millions and economic underdevelopment, Asia historically was a labor exporter. Countries like South Korea, India, the Philippines and Pakistan are all labor exporters. In recent years, Asian countries attach even more importance to labor exportation, actively accommodating themselves to changes in the international labor market. The most salient fact about this labor market is the emergence since the 1970's of some oil-producing countries as labor importers whose demand for labor is not expected to diminish in the foreseeable future. Traditionally, rapid economic growth and labor shortages have forced industrialized nations in North America and Western Europe to import workers from abroad. In recent years, even these industrialized nations have joined the ranks of labor exporting countries. Because of their advanced technology and relatively high labor productivity and wage levels, their labor exportation takes such forms as consultation, technology, assistance with plant installation and so on, all technology-intensive and highly profitable. A number of Eastern European nations have also gone in for labor exportation.

Only after the Third Plenary Session of the 11th CPC Central Committee did we begin bidding for foreign contracts and exporting labor. Of China's total foreign contracting and labor cooperation, the former and latter account for two-thirds and one-third respectively, so labor cooperation makes up the major part of the business. Recently both the number of projects we have undertaken and our number of labor cooperative agreements have been increasing with each passing year. Today tens of thousands of

our people are working overseas. At the same time, labor cooperation has evolved from simply sending workers abroad to bidding for foreign contracts. International labor cooperation has become the second front in our export trade. Its potential is tremendous and its impact will be felt more and more keenly in our external economic relations.

But some people still have a lingering fear about labor exportation. Mention the subject and they immediately recall images of workers from old China slaving under brutal oppression in the United States and South Africa. These skeptics believe that socialist nations should neither let their people work overseas nor engage in labor exportation. They are wrong.

In a socialist nation, labor is no longer a commodity. A worker is the master of the means of production and is directly integrated with them. But as the population growth rate and the level of economic development fluctuate, they come to exercise a disrupting influence on the quantitative relationship between the labor force and the means of production, even to the extent of upsetting the balance between the two. Therefore, socialist nations with excess labor must export their workers in order to maintain a basic equilibrium between their labor force and the means of production and make full use of them to speed up national production.

Second, laborers now sent abroad by China have strong backing. In the era of old China, a majority of the Chinese coolies [kuli de huangong 5388 0500 4104 9478 1502] in such places as the United States and South Africa were either forcibly captured there by imperialists or victims of their trickery. Others were fugitives from the unbearable exploitation and oppression by the reactionary ruling class at home. They were exploited, degraded, beaten up, expelled, physically abused and even massacred. The blood, sweat and tears of Chinese labor contributed to the completion of the western half of the first coast-to-coast railroad in North America, the Central Pacific Railroad, the gold mining industry in Australia, and the beginnings of the sugar industry in Cuba.

Today, China's international labor cooperation enjoys the backing of our powerful socialist nation and is carried out in a planned and organized way. Apart from simply sending workers, we also submit tenders for contracts. Our exports include experts offering technical services as well as laborers. They are accorded legal protection by the state, enjoy political honor, benefit economically and are assured a means of livelihood. Such are their substantive differences from the coolies of old China.

Third, socialist nations must make use of their labor resources and develop international labor cooperation. Our huge population puts us in a highly competitive position in labor cooperation. At present, there are over 400 million people in China who are engaged in one form of production or another. At 41 percent, China's labor force participation rate is quite high. But as labor productivity improves throughout society, there will be a corresponding increase in labor oversupply. This objective reality will present a real problem which must be tackled. Labor exportation is more than a partial solution to the problem of surplus labor. We

are more competitive as a labor exporter than as a commodity exporter because our relatively low wage levels give us an edge in the international labor market. To make full use of the nation's abundant manpower resources, we should select people from all trades and professions and send them abroad to further open up the international labor market. We can promote our specialty in textiles and traditional arts and crafts by supplying technical services abroad. We can give play to our national expertise in cooking by operating restaurants in other countries. In short, as a socialist nation we must exploit our superiority in labor resources and actively pursue international labor cooperation as a means of vigorously developing our economy.

Fourth, labor exportation by socialist nations facilitates cooperation with nations in the Third World and promotes world peace. Historically, most industrialized nations in Western Europe and North America were labor importers while countries in Asia, Africa and Latin America were labor exporters. In recent years, the international labor market has become more complex. Labor importing nations have increased, they are geographically dispersed and their demand for international labor cooperation intensifies by the day. Since the 1970's, a number of major oil producers in the Middle East and North Africa have accumulated a massive amount of oil wealth, part of which is being used to finance domestic economic developments, including numerous construction projects. But since these nations are short on technology and manpower, they have become growing markets for labor importation. According to World Bank projections, major oil producers in the Middle East and North Africa will need a combined labor force of 10.3 million in 1985, of which only 6.69 million are available domestically. In other words, they must import 3.61 million workers, or 35 percent of their total labor requirements. The need by Western capitalist nations for labor services of an ethnic character [as published] shows no signs of abating. While we must continue to satisfy this need, we should also actively go after project contracts in Africa and Asia and expand labor cooperation. Through international labor cooperation, we can deepen our understanding and cooperation with the Third World and strengthen our economic ties with the West. Increased interaction with the peoples of other countries facilitates mutual understanding.

Fifth, labor exportation by socialist nations earns foreign exchange for the state and helps accumulate construction funds. Many developing nations encourage their people to work abroad and enjoin them to remit home 80 percent of their wages. (Examples are the Philippines and Pakistan.) Income from labor exportation is an important source of foreign exchange earnings for many nations. At present, over 30 capitalist and developing countries derive more income from their labor exportation than from their commodity exports. As we open up our nation to the world and go all out to attract advanced foreign technology and equipment, we need an immense amount of foreign exchange funds. Hence, we should make good use of international labor cooperation in order to accumulate funds for socialist economic construction.

Sixth, labor exportation can help solve certain employment problems at home, promote commodity exports and provide a chance for our people to learn

advanced technology. In the past few years, there has been a rapid rise in the number of working-age people in China, making it difficult for young people to find a job. As we have only several tens of thousands of workers abroad, there is clearly room for expansion. We should step up our labor exportation promptly, sending abroad a diverse range of workers as one way of solving our employment problems. Undertaking foreign projects also boosts our commodity exports, for example, through the use of Chinese construction materials and machinery. Moreover, labor exportation gives us opportunities to learn the advanced technology and managerial and production experiences of the host countries.

To sum up, labor exportation makes good economic sense. It is something we can and must do. We should make full use of our abundant manpower and strive to succeed in external labor cooperation.

12581

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23 May 1985

FOREIGN TRADE AND INVESTMENT

SHANGHAI INVESTMENT TRUST CORPORATION PROFILED

Beijing XUEXI YU YANJIU [STUDY AND RESEARCH] in Chinese No 12, 5 Dec 84
pp 51, 49

[Report on interview with Xu Pengfei [1776 7720 7378], vice chairman of the board and general manager of the Shanghai Investment Trust Corporation, by Ai Lian [5337 5571]: "The Shanghai Investment Trust Company Makes Rapid Progress as Economic Middleman"; date of interview not specified]

[Text] I interviewed Mr Xu Pengfei, chairman of the organizing committee on the Chinese side for the "Shanghai International Investment Law Symposium," in Shanghai and asked him to describe the city's new window to foreign economies and trade, the Shanghai Investment Trust Corporation. Mr Xu is vice chairman of the board and general manager of the corporation.

Promoting Cooperation Between China and Foreign Nations

Mr Xu Pengfei explained the aims of the Shanghai Investment Trust Corporation. He said: We were formally set up in July 1981. Our special responsibilities are the utilization of foreign capital and the introduction of advanced technology in order to promote economic and technical cooperation between Shanghai and other nations. Therefore, we consider it our aim to act as a bridge in bringing together foreign investors and various domestic units and to do our best to promote China's external economic relations. Ever since the corporation was established, we have taken advantage of every opportunity to forge links with all economic sectors at home and abroad, publicize our nation's open door policy, publicize Shanghai's investment climate and assist potential investors in exploring the possibilities for joint ventures. We have already held several conferences similar to the 'Shanghai International Investment Law Symposium', including one on international economics and technology as part of our second anniversary celebrations in 1983, which drew over 800 foreign participants. This kind of international conference in Shanghai provides a central focus for all units in the country to interact with visitors from abroad. In this way, Shanghai can contribute to the opening up of the nation. Since 1983, we and other units in Shanghai have been sending joint study tours to Japan, the United States, France, the Federal Republic of Germany, the Philippines and Hong Kong, both to obtain an understanding of foreign conditions and to publicize Shanghai's investment climate. These tours enable us to hold extensive exchanges and consultations

with a broad range of people and expand our economic and technical cooperation with various nations and regions.

Expanding Scope of Services

Mr Xu Pengfei said: Our scope of operations has been expanding continuously in recent years. Not only are we in international finance and investment trust, but we also put up money for individual projects and provide consultation services. We are here to advise and supply information to anybody interested in knowing the areas for investments and joint ventures. If an investor is looking for a suitable partner for a joint venture, we can suggest names and even recommend projects and the form of cooperation. We also provide assistance in raising capital. If necessary, we can be an investor ourselves and take part in a joint venture. In addition, a foreign investor who wants to establish a wholly-owned enterprise here can commission us as his agent to act on his behalf. Indeed it is just this variety of services which has enabled us to expand our overseas connections steadily. These days, a visit to our corporation is almost a must for any friendly organization, any industrial or trade group, or anybody from economic or technical circles who happens to visit Shanghai. As a result, our number of guests doubles each year. We played host to a total of 15,000 foreign businessmen during the last few years.

Economic Cooperation Yields Gratifying Results

Referring to cooperative projects which the corporation has helped accomplish in recent years, Mr Xu Pengfei said: Our negotiations and consultations have been instrumental in the conclusion of 23 deals, including joint ventures involving Chinese and foreign investors, joint ventures between Chinese investors, enterprises wholly owned by foreign enterprises, and cooperative enterprises. Their combined outlay is \$452 million, of which 139 million is foreign capital. Our corporation puts up money for 15 projects, of which 7 are already in business. To speed up the technical transformation of old enterprises in Shanghai, since May 1983 we have been introducing advanced and practical foreign technology and machinery on behalf of units. As of October 1984, we have signed almost 300 equipment purchase contracts with a total value of \$177 million. Since most of our purchases are advanced equipment, they will transform the technical levels of some industries in Shanghai after they go into operation, putting them on a par with, perhaps even above, international standards.

As for urban administration and construction, we brought together the Shanghai Bureau of the Civil Aviation Administration of China and engineering concerns in Hong Kong and Japan. As a result, the terminal at Hongqiao International Airport was renovated and expanded, facilities were improved and travellers are now better served. To find ways of speeding up building construction, we have introduced from the United States and Japan a number of experimental models.

We have also made headway in international finance. In the last few years, we have concluded business cooperation agreements with 20 well-known companies

banks, finance groups, and securities companies and launched services in trust deposit, trust investment, and guarantees. Through leasing agreements with foreign companies, we have also made available to some units a number of limousines, station wagons and industrial sewing machines. In 1983 we established a joint consultation service with the Nomura Comprehensive Research Institute of Japan in order to hone our consultation skills by learning from them.

Striving For Breakthrough

We intend to further expand our international financial operations and raise more capital to finance domestic and foreign construction. Our goal in the near future is to establish more joint ventures and cooperative enterprises involving both Chinese and foreign capital. We hope to cooperate with Hong Kong and overseas businessmen in setting up specialized companies in consultation, leasing, financial services, real estate, architectural design and trust services."

12581

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FOREIGN TRADE AND INVESTMENT

PROFITS FROM GERMAN PATENT LAW DISCUSSED

Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German
20 Mar 85 p2

[Article by Dr. Martin Vogel: "China Profits from German Patent Law"]

[Text] Munich. A spirit of cooperation marked by mutual confidence has existed for many years between the German and the Chinese Patent Offices. Soon after initial contacts in 1978, a close relationship developed between both countries with respect to the legal protection of commercial and industrial activity. Dr. Erich Haenseler, President of the German Patent Office, pointed this out at the VDI /Association of German Industry/ symposium in Munich on the topic of "Protective Laws for Industrial Activity in the People's Republic of China." According to Haenseler, the German Patent Office not only accompanied the legislative period of the Chinese patent law with word and deed, but is also providing valuable practical assistance with the organizational development of the Chinese patent system.

In accordance with a treaty agreed on in August 1983, the German Patent Office has assumed responsibility for training 118 Chinese patent experts. At the same time, several experts are being sent to China for shorter visits, with two patent professionals being assigned for longer stays in the People's Republic. Moreover, in accordance with this agreement, the Chinese Patent Office is to receive a printing installation and the computers and computer programs needed for its data processing facility.

As Haenseler says, the "amplably modern" Chinese patent law, which regulates not only the protection of patents but also that of utility models and designs, bears in its patent granting procedure unmistakable features of the German patent law prior to 1968, and is therefore easily accessible to German patent applicants. The many personal contacts between Chinese and German patent experts, which are leading to a wide familiarity with the German language among the employees of the Chinese Patent Office, are simplifying matters in legal protection for industrial activity in China on the part of German patent seekers.

In addition, the establishment of three patent agencies, which are independent of each other and which represent foreign applicants before the Chinese Patent Office, has contributed to making the application for Chinese legal protection

attractive to foreign claimants. For, in Hauessler's opinion, the existing competitive relationship among these agencies will certainly increase the quality of their services. Even now, with the speedy translation of their laws and regulations into English, the Chinese are attempting to familiarize possible applicants with their system of industrial property laws. Provision has also been made for the necessary legal redress: the rules of procedure allow for the possibility of having the decisions of the Chinese Patent Office reviewed by the Patent Review Board and the People's Court. Hauessler encouraged German patent seekers in particular to take advantage now of the climate of confidence that has been created between the two countries and to enhance it by making as many patent applications as possible.

12951

COS: 3620/326

FOREIGN TRADE AND INVESTMENT

NORWEGIAN FIRM TO HELP SET UP COMPUTER SERVICE NET

Oslo AFTENPOSTEN in Norwegian 25 Apr 85 p 52

[Article by Ole N. Hoemsnes]

[Text] Peking. 24 April. Norsk Data has large plans for stepping up its activities in the Asia markets. In the first place it will concentrate on China, India and Thailand. On Tuesday [23 April] the first joint venture agreement was signed with Chinese authorities. This week an office in Peking was opened, and beginning 1 July Norsk Data will also have an office in Hong Kong.

Director Kristian Vennemoe, who is responsible for Norsk Data's activities in East Asia, said to AFTENPOSTEN that many years of work lie behind the present increased business. "We have determined that the opportunities for us in China are very good, and we have been confirmed in this by the fact that the Chinese are pleased to cooperate with us," he said. "We have emerged successfully from the competition here in China because of both price and quality," stated Vennemoe.

This joint cooperation agreement with the Chinese which has now been entered into will aim at, among other goals, setting up a comprehensive service organization for computers in China.

"Our policy is to help the Chinese to set up an organization, so that they themselves can perform services which presently have to be purchased from abroad," said Vennemoe.

Vennemoe stated further that Norsk Data has a positive attitude toward technological cooperation on several levels.

CSO: 3639/109

FOREIGN TRADE AND INVESTMENT

GUANGZHOU JOINT CHINESE-FOREIGN ENTERPRISE DATA REPORTED

Guangzhou NANFANG RIBAO in Chinese 24 Jan 85 p 1

[Article by Chen Zhonghan [7115 0022 3352] and Xie Xiangfa [6200 4161 3127]: "New Breakthroughs Appear in Guangzhou's Foreign Trade Work; the Number of Contracts Signed in 1984 Throughout Guangzhou for Joint (Cooperative) Management and Compensation Trade Projects Increased Over 450 Percent and the Amount of Contract-Stipulated Travelling Trader Investment Increased 2,400 Percent Over 1983"]

[Text] New breakthroughs have appeared in Guangzhou's foreign trade work. The number of contracts signed in 1984 throughout Guangzhou for joint (cooperative) management and compensatory trade projects reached 120 and the amount of contract-stipulated travelling trader investment reached \$160 million, increasing 450 and 2,400 percents respectively over 1983.

According to the departments involved, there were only 98 jointly managed Chinese-foreign enterprises in the city of Guangzhou by the end of 1983, but they had sharply increased to 216 by the end of 1984. The use of foreign capital for capital construction has also been considerable; 300 million yuan or 11.7 percent of the 2.83 billion yuan invested in state-owned capital construction in the Guangzhou region and 240 million yuan or 20.3 percent of the 1.18 billion yuan invested in units subordinate to the city from 1981 to 1983 was foreign capital. In other words, foreign capital constituted one-ninth of the investment in state-owned capital construction throughout the region and one-fifth of that in units subordinate to the city. Not only have advanced foreign management and administrative methods, science and technology, mechanical equipment and raw and processed materials in short domestic supply been imported due to the open door foreign policy, but great social benefits have also resulted. Over 2,800 contract and temporary workers were recruited and 4.56 million yuan was paid in industrial and commercial taxes by the Great China Restaurant alone from December 1983 to October 1984.

In order to summarize the experience of the work of joint (cooperative) Chinese-foreign enterprises, the Guangzhou municipal party committee and the municipal government held the first Guangzhou joint (cooperative) Chinese-foreign enterprise experience exchange conference on 23 January 1985. Representatives from eight units, the Great China Restaurant party branch, the Guangzhou Elevator Factory, the Guangzhou Acoustics Record Factory, the

Guangzhou Refrigerator Factory, the No 2 Municipal Light Industry Bureau, the People's Restaurant party branch, the White Cloud Small Car Rental Co and the Guangzhou Shipyard's container factory, presented their experiences at the conference. Responsible comrades of the municipal party committee and the municipal government such as Xu Shijie [6079 1102 2638], Ye Xuanping [0673 6693 1627], Zhu Senlin [2612 2773 2651], Li Shanpei [2621 0810 1014] and Wu Xiaofeng [0702 2556 1496] attended the conference.

12267

CSO: 4006/456

FOREIGN TRADE AND INVESTMENT

SWEDISH PRODUCT QUALITY TOO HIGH FOR CHINESE

Stockholm SVENSKA DAGBLADET in Swedish 6 Apr 85 p V

[Article by Lena Bejerot: "No Large Orders Despite Heavy Investment"]

[Text] Swedish firms are investing heavily in China. Many firms are opening their own offices in Peking-- and Sweden is getting almost daily visits by Chinese trade delegations. But so far there have been no large orders to Swedish companies.

Recently Minister of Communications Curt Bostrom returned from a visit to China. And in a few weeks the next visit by a minister will follow when Birgitta Dahl goes there together with an energy delegation. Curt Bostrom comments on the difficulties encountered by the Swedish companies on the China market as follows:

"The reason why the Swedes are losing many large orders is, I believe, related to the high quality of the goods. Quite simply the Swedish firms must spend more on their products than their competitors."

In their present stage of development the Chinese are not willing to pay extra for the operating reliability and longevity which Swedish goods have. And their judgments are more short term, claimed Curt Bostrom.

Ericsson is one of the firms which has failed to get large orders.

"In many countries trade and politics are closely connected. We believe it was the strong political connection between China and France which was decisive for our losing the large Beijing order to the French, and not anything that had to do with telecommunications," said Ingemar Nilsson, chief of Asia and Oceania at Ericsson.

As is the case with many other companies, Ericsson has had more success with smaller orders. Just since December the company has received four orders for a total of 160 million kronor.

Foreign Currency

As for investments in the country, the Chinese prefer that it take place in joint venture form, since that brings in foreign currency. A consortium of five Swedish pharmaceutical firms with Astra and KabiVitrum at the head have entered such an agreement. A factory has been built in the town of Wuxi which will have an annual output of 175 million kronor when full production begins. By the fall of 1986 about ten preparations will be produced there, including the asthma medication Bricanyl, blood pressure medication Seloken and other nutrition products for hospital use.

Kanthal recently signed a joint venture agreement for the manufacture of heating conductors, and the firm is still negotiating on a bimetal project.

ASG has also come a long way in negotiating a joint venture agreement. ASG will help the Chinese with integrated railway and highway transportation.

Goran Ekman, head of sales at Sandvik can certify that it takes time to influence the Chinese market. After 6 years his firm won a contract worth 120 million kronor for the modernization of a hard metal factory. Now the firm is working on still another order in the hard metal factory.

"What is needed to enter the market is patience. Patience, patience--and cheap credit."

Stream of Lemmings

During recent years the major Swedish firms have had visits from Chinese businessmen which resembled a stream of lemmings. During 1984 there were at least 170 Chinese trade delegations visiting Sweden, with a total of 1,100 businessmen. That was double the number of the year before. At the Chinese embassy they believe that the number will be still higher this year.

"Every week Sandvik is visited by a Chinese delegation. All these trade delegations stir up an interest in China," said Goran Ekman. Some people believe that the Chinese business visits are more like tourist activity. And perhaps the Chinese, like everyone else, are out fishing for free technology!

"The Chinese are skilled negotiators. They know how to utilize the situation of the great growth market which exists in China today," said Ragnar Svedebrand, who is responsible for China sales at ASEA.

During the year ASEA will strengthen its five-man Peking office. Business there has gone much better since they changed over from using an agent to having their own office, he said.

ASEA has lost many large orders in China, involving hydroelectric power, high voltage direct current and locomotives. Yet Ragnar Svedebrand said:

"It is the volume of business that motivates our presence in China, independent of the big projects. Last year we wrote about 40 contracts with the Chinese worth a total of about 200 million kronor.

License Sales

Norsk Hydro Plast AB is negotiating the sale of a licence for paste PVC, and manufacturing and construction of a PVC factory in China. A similar project recently went to Japan and it can be interpreted as positive for Norsk Hydro Plast. But what is true in many countries is not necessarily true in China--that an order often opens the door for many other orders.

"It appears that the Chinese want to spread out their future purchases in order to test different types of technology," said Sam Andersson, project engineer at Norsk Hydro Plast. He believes that westerners often stumble over their incomplete knowledge of project costs when they are working for a contract with China.

"The Chinese are careful and want to know what everything costs down to the smallest screw," he said.

9287

CSO: 3650/235

SPECIAL ECONOMIC ZONES

TEAMS FOR AHEAD, CONSTRUCTION IN SHENZHEN OUTLINED

Guangzhou (PEK) YANJIU (JOURNAL OF ACADEMIC RESEARCH) in Chinese No. 6,
27 Nov 84 pp 7-12

Article by Liang Xiang (2733 3275): "Speeding Up the Pace of Overall Reform:
Raising the Standards in the Construction of the Shenzhen Special Zone"

(Part) 1. Construction of the Shenzhen SEZ Faces a New Situation

This year, under the direct guidance and solicitude of the Central Committee and the provincial party committee, fervently supported by the whole nation and owing to the united efforts of all cadres, staff and workers, all battle-fronts of the Shenzhen SEZ are imbued with greater vigor, and new progress can be reported, made on the foundation of the great and important successes achieved during 1983 in all sectors of our work. The main aspects of this progress are:

A. New successes in the utilization of foreign capital and in the importation of advanced technologies

From January to June, 505 agreements were signed throughout the municipality, an increase of 46 percent over the corresponding period of last year. Total investments through these agreements amounted to over HK\$1.83 billion, an increase of 38 percent over the corresponding period of last year. Among these projects, 82 were of a large scale of over HK\$10 million each, and 14% of more than HK\$190 million have already been committed to operation. Among the agreements that have been signed, 416, or 82 percent, were industrial projects. A considerable part of these projects involve technologies and equipment of a very advanced nature.

B. New developments in industrial and agricultural production

Up to now and at June, gross industrial output value reached over 550 million Yuan, an increase of 40% percent over the corresponding period last year, and 1.01 percent fulfillment of the annual plan. Fifty-two new factories began operations, transplanting here a series of new products, such as the remodeled drive model of the Benafent lime-saline, porcelain insulators, small motor buses, 2888 cassette tape recorders, quartz clocks, ball-type paint for buildings, etc.

In implementation of Judgment No. 1 of the Central Committee, the joint production contract system was further perfected, and enthusiasm was stirred among the vast number of peasants for the development of commodity production. In addition to the increased grain production that had occurred the other year, this year again a bumper harvest was achieved early in the season. Vegetables, livestock, poultry and pond-raised fish came to market in much larger quantities than during the same period last year. Exports of vegetables increased 50 percent and of live chicken 19 percent over last year.

C. Economic results in capital construction increased continuously

From January to June, capital construction projects worth over 403 million yuan were completed, an increase of 74 percent over the same period last year and fulfilling 71 percent of the annual plan. Completed projects cover an area of 940,000 M² and comprise 475,000 M² of residential buildings, increases of 163 percent and 126 percent, respectively, over the same period last year. The rate of excellence achieved in the various engineering projects reached 45 percent.

D. Great increases in all economic terms

During the period from January to June, retail sales of social commodities amounted to more than 850 million yuan, an increase of 63 percent over the corresponding period last year. The total value of export commodities was over 50 million yuan, an increase of 45 percent over the same period last year. Savings of surplus funds by the urban and rural population amounted to over 62 million yuan, an increase of 38 percent over the same period last year. Local revenue amounted to over 130 million yuan, an increase of 40 percent over the same period last year. Local foreign exchange receipts amounted to over 140 million, an increase of 44 percent over the same period last year.

E. Accelerated pace of reforms

In the first half of this year, further adjustments and reforms were carried out in the structure of the municipal government. The planning commission was converted into a commission for economic development, to be responsible for drawing up plans for the socioeconomic development of the SED and to be in control of economic information and forecasting of market developments. An industrial development commission was established as the authoritative organ in matters of industrial construction and enterprise administration. A city planning commission was set up, to be responsible for drawing up plans for municipal construction. A legislative commission was established to serve as an "intelligence reservoir" in the constitution of the SED. At the same time several offices under the general affairs office of the municipal government were abolished, and four new offices, namely, for capital construction, finance and loans, culture and educational affairs and for scientific and animal husbandry affairs, were set up to speed the work and speedily obtain information of the overall situation and in connection of coordinating the various commissions, examining, supervising

and following guidance. In the implementation of the personnel system, a unified was adopted of having the same main responsibility, management arrangements and of having the higher authority make the appointments, and forming the leading group structure in terms of number and higher level. All are practicing the system of personal responsibility of management and the cadre evaluation system. For example, through the responsibility system the plant directors managed all the matters of enterprise management by contract. Educational institutions practice an office cadre system, and in the employment of cadres a system of giving public notice of vacancies is being applied. All these measures have shown effectiveness.

F. Political results in building socialist spiritual culture

Party organizations at all levels paid close attention to organizing the study of documents on party consolidation by party members. Over 90,000 party members throughout the municipality, or 84 percent of all party members, took part in the study courses in rotation. In many cases at all levels the county level and above, the leading groups called democratic life meetings, launched criticism and self-criticism and movements for the improvement of work style and increased solidarity. Several cases of misuse of power and corruption supposed were uncovered. Affiliates of the "Three-anti" movement were new successes. Effective measures were taken against harmful trends, and unethical-political work was intensified. The social atmosphere and discipline and social order was well maintained.

Although we achieved great successes this year in all branches of work, we must not be complacent. We must always look at the problems that still remain, and it has become even more serious for us to pay attention to the new tasks that we face and the new demands put on us by the new situation.

Early this year, Deng Xiaoping, Vice Premier and Chief of State of the State Committee inspected the special zone. On April, the CPC Central Committee surveyed a symposium of several coastal cities and decided to open up 14 additional administrative cities. This was a new and important step in the process to open up our country to the outside world. Subsequently, at the Second Session of the Sixth National People's Congress, Premier and Chief of State pointed out that in the course of our future economic work, particularly in the future, will be paid to two matters, namely, to reforming our economic system and to opening up to the outside world, with the purpose of doing an effective job in accelerating the CPC's Four Modernizations. Furthermore, pointed out that the opening up must go on for a long time. The "opening up" of all cities that have been opened up, and especially as the foundation in the process of opening up the whole country. The line of reform and opening up activities that will go on for a long time throughout the country is undoubtedly a powerful motive and an important condition for the acceleration of the economic development. In the process of opening up, even more serious task will be put on us.

In this process, it is necessary for us to take full account of the fact that we are faced with the danger of the "Three-anti" movement.

that is, diversified energy, especially international and entrepot trade, establishing the SZ as a commercial port for entrepot trade. With flourishing commerce and trade markets, the zone will become a display window for a collection of all the famous brand commodities as well as special native products of the entire country. There will be a considerable increase in the output value of Chinese-foreign joint ventures and self-financed enterprises of foreign business firms. The whole in its form an SEZ of a comprehensive character, where advanced industry will be the dominant factor, while agriculture, commerce, high-rise residential buildings and tourist trade will be operated concurrently.

D. To effect rapid development of industrial production

The company will carry out the development of a technology-intensive and science-intensive advanced industry, training production capacities of considerable dimensions in electronics, textiles, light industry, precision machinery, building materials and petrochemicals, and also on the construction of airports, port facilities, railways, express highways, telephone lines, power plants, power stations and other installations of transportation, telecommunication and energy sectors. By 1990, we shall on the average have one telephone for every five to six persons; the fuel used by residents of the zone in their homes shall be gas.

E. To effect a considerable rise in the technological level

We shall set up a number of new scientific and technological industries, first of all micro-computer, laser, fiber-optic communications, bioengineering and other such new industries. The equipment of many traditional industries shall be brought up to the advanced level of the 1980's. By such means as technical information exchange meetings, advanced products exhibition and sales meetings and economic management study meetings, we shall facilitate the transmission of advanced technology, of scientific information and gradually function as a technological new system.

F. To effect a marked improvement in the quality of management

We must equip our industry, transportation, telecommunication, building industry, commerce, finance, tourism industry and municipal administrative departments with new technical equipment so that all managerial work will gradually become automated, computerized and rendered more scientific. We must at the same time train a contingent of talents to become proficient in enterprise management, to build up the SZ into a major base for the training of well-trained technical personnel and managerial personnel.

G. To bring about a new civilization -- the spiritual civilization

More energy must be made in the fields of culture, sports and public health, to go hand in hand with the basic construction in the special zone. Senior middle school education must be expanded to become universal, and Shenzhen University must be set up as a secondary step, and we must build up a science

14. The Government of Iran is faced with the
problem of the maintenance of the 527 as broad wings
of the military. Technology means productive force
of production means a certain level of production. It
means that we shall be producing it and spending it.
The army is composed of a technology and management.
The 527 is that we shall be able to raise the level
of living.

[illegible]

telecommunications will be continuously improved and will further enhance the attractiveness of the JEL for foreign capital. Following the thorough consolidation of the Party, the fighting force of the Party organizations at all levels is bound to gain strength, and party workstyle, the habits and customs of the people and the general mood of society will definitely improve greatly. All this will of necessity contribute effectively to the economic development of the JEL.

At the same time, the various norms of the Seventh 5-Year Plan, after repeated investigations and computations, have now been determined in a most reasonable manner, with due allowance for international circumstances. For instance, the suggested gross industrial output value in 1990 is to reach 2 billion yuan, a progressive increase of 28.7 percent (from 1979 to 1990 the average annual rate of increase was 56.4 percent) is very sound and in accord with realities. If only we will work energetically, actively create the favorable pre-conditions, import more foreign capital and advanced technology, it is absolutely possible to achieve or even surpass these norms.

Even though certain countries and territories in the world have indeed attained well-developed economies, they did not require too long a time to do so. Singapore required only about 20 years to reach its present level of development. The upswing in Hong Kong's economy is also a matter of only the last 10 or so years. Whatever the capitalist countries and territories have been able to accomplish, our socialist JEL can certainly also accomplish. We must have full confidence that we can achieve our strategic objectives and must strive hard to accomplish our historical task.

(iii) With Economic Construction as Our Main Task, Firmly grasp the Two Important Factors: Reform and Opening Up to the Outside World

To accomplish the above-mentioned long-term objectives, it is at the present juncture necessary for us to persist firmly in economic construction as our fundamental core concern, while resolutely going ahead with the two important tasks, namely, to reform and to open up to the outside world in a way that the reforms will promote the opening up and will increasingly impart a new complexion to the construction of the JEL.

A. Accelerate the Pace of Overall Reforms, Speedily Establish a Socialist System Consistent with the Special Economic Characteristics of the JEL

If the large number of cadres and the masses of the Chinese JEL still find dissatisfied with whatever reforms have been achieved so far, in view of developments in the domestic situation and the international world, they must continue to explore possible solutions for whatever difficulties and problems they are still faced with. Recently, the most hard party committee has deployed its reform distributions and decided on speeding the reforms throughout the whole JEL from partial reforms to an overall reform, from small-scale reforms to reforms of the whole system, from tentative reforms to thorough and penetrating reforms. From now on, the reforms are mainly to involve the whole system, comprehensively and in an organic way, but the focal point of the reform is still to be the elimination of managerial systems, rigid and

...work methods that obstruct utilization of foreign ... and impede the development of ... In concrete terms this means that we must ... the following 10 aspects:

1. Reform of the price-control system

Under the macroeconomic plan direction of the ... market regulation as the dominant factor and shall ... It means that the committee for socioeconomic ... of all economic information and must be ... as it draws up a socioeconomic development ... It must mainly use economic means to influence ... according to the demands of the plan. As ... of the enterprises, there must be planned guidance ... of the market, and administrative interferences must ... The pricing reforms in the SEZ must establish ... system that is in accord with market ... and must bring the function of the price ... commodities that are important for the national ... that are charged as noncommodities and ... controlled by the state, the province or ... to controlled prices. However, free prices ... the great majority of commodities, such as common ... small commodities, agricultural and side- ... of supply and demand. We shall ... prices in the SEZ to prices in the international ...

2. Reform of enterprise management

In order to improve administration and delegate authority, we must ... administration from enterprise management; the adminis- ... must not interfere in normal production, ... activities. State-operated enterprises must ... for their plan directors (managers) ... of the staff and workers representative ... by design firms, Chinese-foreign joint ... and domestically linked operations ... system of plant directors (managers) under ... of discipline. The main task of the party ... party building within the enterprises, ... to ensure implementation of ... also to exercise a supervisory ... business operations of enterprises. We must ... of enterprises: all enterprises ... to operate their businesses, with ... profits and losses. While complying, as ... and regulations, enter- ... in such fields as production ... materials procurement, use

and disposition of funds, structuring their organizations, personnel and management, pay and bonus questions, joint operations, etc. They shall have the right to issue shares and bonds. In short, enterprises shall become relatively independent producers and exchangers of commodities, with the ability to respond quickly, accurately and flexibly to changes in the international market; this will strengthen the international competitiveness of the enterprises.

3. Reforms in the area of circulation

The general demand is for the establishment of a circulation system that is by nature open, with many channels and few intermediary links. Policies shall be relaxed, competition shall be encouraged, trade shall be enlivened, and a circulation network shall be created that provides for interflow of trade between urban and rural areas, between China and foreign countries and that extends in all directions. We must continue to make great efforts to develop collective and individual trades as well as repair and service trades that improve the standard of living of the masses. Trading stores shall gradually practice various kinds and forms of economic contract responsibility systems. The importation into the SEZ of agricultural and sideline products that will easily must be actively encouraged, and the operation of agricultural markets shall be further enlivened. The SEZ shall operate its import-export trade freely and of its own, under the guidance of the unified policies of the state. All products that are not under state export quotas may be freely exported by enterprises or exported by them in various forms, even in liaison with foreign countries, technologies or agriculture, as part of their development of trade. Units engaged in imports and exports must generally practice systems of economic responsibility for their own profits and losses in undertaking contracts that will create foreign exchange [chuang hui changbao (440) 254 210 0545]. In the materials supply system, the current limitations by administrative levels, territories and trades must be broken down and a commodity circulation system put into practice. Various forms of trade centers must be established to engage in commodity exchanges, bringing producers and consumers closer and thus invigorating the materials circulation.

4. Reform of the system of public finance, tax revenue and banking

In the field of public finance, we must eliminate the old convention of being merely concerned with income and expenditure and giving no consideration to business operations. A variety of methods and of channels must be utilized, capital funds shall be extensively collected from domestic and foreign sources, and the economy of the SEZ expanded by a manner of "using wealth to create wealth." The finances of units engaged in business shall gradually practice businesslike management. In matters of tax revenue, the tax categories and rates of taxation shall be unified for state-operated, collective-owned enterprises and those of Chinese-foreign joint ventures and joint management, so that they may all compete on equal terms. In monetary matters, the functions of the Central Bank of the SEZ must be fully brought into play. The training of cadres to fit them for the developments of the situation must be vigorously promoted. The business operations of every bank shall tend toward greater diversification, must carry out coordination of profits and

will, the banks shall directly participate in investments and business operations. We must substantially demand of the central authorities to allow us to establish the establishment of investment by a certain number of banks and to promulgate legal provisions for the control of foreign banks. Special attention must be paid to arrangements for monetary organs to all disburse to the launching of investible security issues of the nation to assist with such issues. We must actively prepare issuing JZL currency and, before issuing the JZL currency, fix special favorable exchange rates for imported foreign capital, including capital from overseas Chinese and from Hong Kong.

2. Reform of the system of business management in rural areas

The responsibility system in contractual joint operations must be further improved. The terms in the contractual undertakings must be extended, depending on the different crops or projects concerned. The peasants must be encouraged to invest in the skill of management in developmental operations, as well as to energetically develop commodity production. We must go one step further to readjust overall agricultural distribution, reform the economic relations of agriculture and energetically develop diversifications, i.e., on the road of all-round development, namely, of agriculture, forestry, animal husbandry, sideline production and fishery, and of creating increasingly diversified, industrial and commercial operations. We must effectively reform the rural supply and marketing cooperatives, so that they will gradually become service centers of a comprehensive character for supplies, marketing, storage, transport and technologies.

3. Reform of the system of managing central construction

Central construction in the JZL must be consistent with the needs for importing technology, particularly with the needs for imported projects of advanced technology. The procedure for checking and approving must be simplified and must be in line with the signing of the agreements. Methods of inviting and mobilizing talents for engineering projects must be summed up and improved, and must finally be affirmed in legislation. Staff and workers of construction units must carry out contract systems. Control of the construction area must be strengthened, and the quality of engineering projects and economic effectiveness must be improved. The central construction trade is to continue to be carried out by a number of different firms, so as to encourage competition. Actively developing the law of welfare division of each trade, the industry and construction and learning after the foreign. We must also treat construction materials and land as commodities. The system of low rents and low prices for public housing is to be gradually abolished. A method of leasing houses and purchase of housing by individuals with money raised by housing loans will be instituted.

4. Reform of the system of administrative management

The government shall carry out a decentralization of government administration and an improvement of quality. In the spirit of reform, we must proceed with reform of the government and carry out the creation of government administration and

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When we implement charges, we must bear in mind they are unilateral; they must be excessive must be adjusted appropriately. As a footnote, the the U.S. should grant the same favorable treatment that is accorded to other nations. They should also be quickly implemented, with a particular law and should be transmitted authoritatively for enforcement and approval. We must also seek the favorable reduction and exemption on relevant taxes with, the U.S.

First, we must respect contracts, maintain our infrastructure and strive to the improvement of our business operations. From now on, we contract that has been approved by the municipal government and it is awarded hourly according to 1.50 dollars. If need arises to change the price of 1.50 dollars, the contract will be affected with the amount of 1.50 dollars. The contract will be approved by the municipal government. At the same time, we must continue to work to improve our performance and efficiency in the use of our resources.

1987, we must actively develop domestic collaboration, in particular on-
going effective liaison with the various departments of the central
Government. Intensive collaboration with those in the industry in matters
of personnel, technology, equipment, and financial resources is most
important. Unless channels for our products and inputs can be fully integrated
and manufacturing technologies fully into ours.

First, we must actively support and enable business-to-business, business-to-business, and business-to-business management information systems. We must also support business-to-business management information systems, providing the necessary infrastructure and support services to ensure efficient and effective business-to-business information systems.

[illegible]

encourage private individuals to undertake teaching, private individuals to open clinics, encourage and support foreign nationals, overseas Chinese and compatriots from Hong Kong and Macao to start up schools and to undertake medical and health work in Shenzhen, thus developing and enhancing education, culture, health and sports of the SEZ through a multitude of channels and in a variety of forms. As demanded in every modern city, we shall strengthen administrative attention to the good outer appearance and to public health of the city and to greening work. At the same time, we shall continue to strike effective blows against serious criminal activities in the economic field as well as against other criminal activities and shall effectively build up a militia, so that excellent public order will be maintained throughout the SEZ.

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File: 6006 504

SPECIAL ECONOMIC ZONES

SHENZHEN VICE MAYOR ON ORIENTATION OF INDUSTRIAL DEVELOPMENT

HK01081 BEIJING ZHONGGUO XINWEN SHE in Chinese 1454 GMT 29 Apr 85

["Zhou Xiwu Talks About the Orientation of the Industrial Development in Shenzhen" -- ZHONGGUO XINWEN SHE headline]

[Text] Shenzhen, 29 Apr (ZHONGGUO XINWEN SHE)--Zhou Xiwu, vice mayor of Shenzhen City and director of the Industrial Development Committee of Shenzhen City, said that the orientation of the industrial development in Shenzhen is: In industry we should give priority to traditional industries which develop advanced technology; in enterprises we should give priority to enterprises which develop foreign trade; in delegating people, we should give priority to the locally trained talented people and the talented people recruited in the interior; in industrial products we should give priority to products exported to foreign countries; and in the integration of large, medium-sized, and small projects we should give priority to medium-sized and small projects.

This guiding ideology was put forward by Zhou Xiwu several days ago at a Shenzhen Industrial meeting. He said that the industrial enterprises set up in the last 2 years in Shenzhen were mainly medium-sized and small enterprises adopting advanced technology and equipment to produce traditional products. In previous years, only individual equipment, technology, and production processes were more advanced, but now, mostly, whole production processes have adopted the advanced equipment. In previous years, we engaged in whatever projects foreign businessmen came to negotiate with us and were in a passive position in respect of the orientation of industrial development. In the last 2 years, we took the initiative to propose the negotiated projects to attract foreign businessmen to run factories in Shenzhen, and have begun to master the initiative in industrial development.

Last year, the number of new factories established and commissioned in Shenzhen reached 100, among which the factories belonging to the concentrated technology type rose to 11 percent. Last year, industries run by the city government imported 883 sets of equipment worth more than 10,000 yuan per unit; and 75 percent of them were of the advanced technology type, while in 1983 only 33 percent of the imported equipment were of this type. The output value of enterprises owned solely by foreign businessmen, jointly owned by our country and foreign businessmen, solely run by our country and foreign businessmen, receiving

materials for foreign enterprises has risen from 6.17 billion yuan in 1984 to more than 1.13 billion yuan last year, accounting for 67 percent of the total industrial output value of the whole city.

Zhou Xian held that in introduction, priority should be given to enterprises which are at the concentrated technology zone, but this does not require that all the industrial enterprises run in the special zone in the future equip themselves with the achievements of the modern technological revolution in the world to produce highly sophisticated technical products. This is impossible and thus unnecessary. However, if it requires that we give priority to adopting advanced technology and equipment, and if, in respect of absorbing and assimilating the achievements of the modern technological revolution, we concentrate our strength to break through at focal points and turn the characteristics of others, then, it is completely necessary and possible.

Zhou Xian introduced a new idea about the industrial development in Shanghai. He said the industrial structure in Shanghai could be divided into three categories: the first is the industries applying the achievements of the modern technological revolution to produce highly sophisticated technical products. This category should produce about 20 percent of the total industrial output value, including the large-scale integrated circuit and microelectronic technologies, the manufacture of electronic components, optical fibers, and some modern communication equipment, and applied biological engineering with the focal point on developing the large-scale food industries. The second is the traditional industries equipped with advanced technology and equipment. This category should produce about 60 percent of the total industrial output value, including applied electronic products, petrochemical products, daily popular goods, small commodity fabrics, new construction materials, some of the precision mechanical and electronic products, and so on. The third is the traditional industries or the concentrated industries.

LABOR AND WAGES

FEDERATION RELEASES STATISTICS FOR TRADE UNIONS

OW301321 Beijing XINHUA Domestic Service in Chinese 0754 GMT 29 Apr 85

[By reporter Wu Jincal]

[Excerpts] Beijing, 29 Apr (XINHUA)--According to latest statistics released by the All-China Federation of Trade Unions, the number of trade union members in China has grown to 80 million, accounting for 70 percent of the total number of workers and staff members in the country. The trade union organizations at all levels are playing increasingly greater role in the course of socialist modernization.

The trade unions mobilize workers and staff members in the country to take part in the four modernizations and reform, comprehensively launch various labor emulation campaigns, and fulfill or overfulfill the state plan. According to statistics, the total output value produced by China's workers and staff members accounts for 70 percent of the total product of society, and the taxes and profits delivered to the state by them account for 80 percent of the total state revenues.

An even more important duty of the trade unions is to set up the workers' congresses to ensure democratic management in enterprises. At present, large and medium-sized enterprises have generally set up their workers' congresses and brought into full play the role of the workers and staff members as masters of their own affairs by participating in the management of the enterprises.

The trade unions also organize education in the cultural, technological, and ideological fields for the workers and staff members. At present, the trade union organizations spend 25 percent of their funds on education for the workers and staff members. At least 20 million workers are enrolled in evening schools, television college courses, and continuation schools. Some 11 million workers and staff members are taking part in the "China Rejuvenation" book-reading.

The trade unions have helped the workers and staff members solve a large number of problems concerning the latter's well-being.

The trade unions, serving as representatives of the Chinese workers, are developing friendly relations with foreign workers and trade unions. The All-China Federation of trade unions at present has established ties with trade unions in 120 countries and regions.

LABOR AND WAGES

ZHEJIANG TRYING TO RATIONALIZE JOB PLACEMENT

QW91142 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 28 Apr 85

[Text] Direct links between supply and demand are being implemented in assigning jobs to this year's graduates of Zhejiang's institutes of higher learning and are welcomed by various quarters of society.

Various places and units in need of talented personnel have informed the institutes of higher learning. According to incomplete statistics to the end of March, in negotiations these places and units have indicated their need for more than 20,000 graduates, but only a few more than 3,200 graduates are available for job placement in Zhejiang this year.

The departments concerned held: Although the disparity between supply and demand is acute, an overall plan that quite accurately reflects the situation of society's demand for talented personnel and that takes all factors into consideration has been formulated to be used assigning graduates to the places and posts where they are most needed and capable of displaying their talent. The plan has been formulated in order to make the maximum use of the talented personnel and facilitate the restructuring of specialities in the institutes of higher learning and their training of more talented personnel for the modernization drive. The departments concerned also emphasized that schools should encourage graduates to accept the job assigned by the state, going where the hardships are and where they are most needed in the motherland in order to devote themselves to the modernization drive and to invigorating the Chinese nation.

END: 3006/582

LABOR AND WAGES

SHANGHAI LEADERS ATTEND TRADE UNION FORUM

OW021255 Shanghai City Service in Mandarin 1100 GMT 30 Apr 85

[Text] The municipal trade union council held a forum of 1 May advanced individuals in Shanghai this morning to celebrate the 1 May International Labor Day. (Yuan Zhangdu), chairman of the municipal trade union council, presided over the forum and delivered the opening address.

On behalf of the All-China Federation of Trade Unions, the municipal trade union council presented 1 May labor medals and certificates to 54 advanced models who had made outstanding contributions to modernization and urban economic structural reform in Shanghai.

Leading comrades of the municipal party committee and municipal government Chen Guodong, Hu Lijiao, Wang Daohan, and Ruan Chongwu attended the forum. On behalf of the municipal party committee and the municipal government, Ruan Chongwu made a speech, entitled: Shanghai's Working Class Must Be the Master of the New Era.

CSO: 4006/582

LABOR AND WAGES

PROGRESS IN JOB PLACEMENT FOR NEIMENGGU YOUTHS REPORTED

Hehhot NEI MONGOL RIBAO in Chinese 3 Mar 85 pp 2

[Article by Badaerhu {1572 6671 1422 3275}: "New Progress in the Work of Job Placement for Unemployed Youths in the Region"]

[Text] The avenues for employment are wide open in various localities and departments in our region and effective measures are being taken for the training of unemployed youths. The work of training and job placement are now gradually becoming regular.

To do a good job in their preemployment training, the party committees and governments at all levels are paying great attention to the gradual regularization of the training program. Since the Third Plenary Session of the 11th Party Central Committee, the region has given jobs to more than 1.34 million youths. Last year, 198,995 persons, some 28,900 more than the planned figure were given jobs. This number exceeded that of last year by 64 percent. Training was given to 59,177 persons, 4,100 more than the planned figure and exceeding the number of last year by 32 percent. In Xingan League, 5,741 persons were given training, and this league has become an advanced unit in the region. Its training task was fulfilled by 220 percent, and 11,024 persons were given jobs. At present, training centers are being gradually established in various leagues, municipalities, banners and counties. Five leagues and municipalities have already established their training centers and some of these centers have already begun their training program. Six other leagues and municipalities are now building their training centers.

A regionwide conference on training and job placement was held in Hehhot by the labor service company of the autonomous region in 22-24 January this year. The labor service company of Xingan League and some other units reported on their experiences at the meeting. The meeting also set these tasks for the current year: First, all localities were called upon to attend carefully to the work of preemployment training. Last year, greater importance was attached to employment than to training. In future, training should enjoy priority. Second, this year, 170,000 persons should be given jobs, and the work of job placement should be completed before the end of 1984 (as published). The number of trainees should be up to 50 percent of the number of persons employed, while the number of those for technical training should be up to 70 percent. Third, the management of job placement funds should be strengthened.

The supporting funds should be up to 40 percent of the amount due to be collected last year. Fourth, active support should be given to the collective economy, and the pooled funds of the masses should be utilized to draw in funds, technology and equipment from foreign countries. The sources of funds should be increased and the tertiary industry should be vigorously developed. Fifth, the labor and education departments should jointly conduct vocational education and teachers training courses, and carefully attend to the teaching plans and the selection of teaching materials so that vocational education will gradually become a regular system.

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CSO: 4006/505

LABOR AND WAGES

BRIEFS

JILIN TRADE UNION WORK--Jilin Province has scored marked achievements in developing trade union work. Thus far, the province has 14,136 grassroots trade unions with 2,716,402 members. In addition to the provincial-run college for trade union workers, there are three schools for trade union cadres in the province. In 1984, these schools trained more than 2,800 cadres for trade unions at all levels. [Text] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 30 Apr 85 SK]

CSO: 40061582

TRANSPORTATION

HELP FOR HEBEI'S TRANSPORT SPECIALIZED HOUSEHOLDS URGENT

Beijing LIAOWANG [OUTLOOK] in Chinese No 50, 10 Dec 84 pp 17-18

[Article by Tan Feng [6151 7364] and Peng Zhankui [1750 5934 /84]: "Turn on More Green Lights, Set Up Fewer Checking Outposts -- Relevant Departments of Hebei Province Discuss Serving Peasant Transport Specialized Households"]

[Text] Since July this year, some transport specialized households and peasants who wish to buy cars to engage in transport in Hebei Province have written letters to the Letters and Visits Bureau of the Central Office to report difficulties they have encountered in buying cars and gasoline and using the highways while the state was liberalizing its policies to allow peasants to buy such cars and run such transportation routes, and to appeal to the concerned departments for solution of these difficulties. After reading these letters, the central responsible comrades expressed the hope that the concerned departments will indeed help as needed.

Recently we visited the concerned departments such as the communications division, the goods and materials bureau and industry and commerce administrative management bureau in Hebei Province to look into the peasants' complaints.

Since the party liberalized rural economic policies, the enthusiasm of the part of Hebei Province's vast ranks of peasants for developing commodity production has been very great. During recent years, many peasants also began to buy cars to engage in transportation. The transport specialized households of the province currently possess more than 13,000 cars, which make up one-ninth of all the cars owned by peasants throughout the country; this is therefore a province wherein the peasants own a lot of cars. But these cars still are far from meeting the demands of Hebei Province's peasants; they have been running around and appealing everywhere to buy a car in the manner of hunting for food while hungry. But this wish of many peasants cannot be realized, so they can only complain and murmur. According to Liu Yan [1484 1484], chief of the business planning office of the provincial goods and materials bureau: "Previously, cars were distributed uniformly by the provincial goods and materials bureau, and the peasants had no voice whatsoever. Many peasants often came to our door to demand the purchase of a car, but what we answered them with was always a cold prohibition: 'No cars!' Thus passing the buck sufficed. After the implementation of Central Document

No 1 this year, the concept of the provincial goods and materials bureau providing support for rural commodity production was reinforced; 6 months ago, it supported the peasants with 101 cars produced at Shijiazhuang. Later on, the 1900 cars allocated by the state to Hebei were also all sold to the peasants. However, the varieties (as many as 15) of these cars were mixed; of them, the compact cars and less-than-3-ton trucks made up more than half; some cars were delayed again and again in delivery, and some cars were not suitable for use by the peasants. Therefore, while the quantity was by no means small, those actually obtained by the peasants and used in transportation were rather limited; there was still a great distance to go to meet their demands.

Liu Yan said: "The car supplies of our state still cannot be fundamentally improved in a given period of time. Under such circumstances, we as a car-management unit must on the one hand actively think of avenues for the peasants and solve the question of their difficulties in buying cars; on the other hand, the bureau has prescribed a rule that, no matter who is involved, it is forbidden to purchase "through the back door," and those cars earmarked for the peasants must absolutely be sold only to them.

It is only through great difficulties that the peasants can buy a car; but when they use it to engage in transportation they are liable to encounter one difficulty after another. According to comrades in the industry and commerce administrative management bureau of Hebei Province, because the use of gasoline by individual households was not incorporated into the state plan, most of them must buy gasoline at negotiated prices. In some localities, a kilo of diesel fuel costs as high as 1.5 yuan. Moreover, the practices of assigning levies and collecting fees at random are also quite serious. Some places concoct all sorts of pretexts to collect extra fees or higher fees from individual operators, such as so-called over-load charges, road-entry inspection fees, resource expenses, district industrial and sideline enterprises management fees, joint transportation management fees, and so on, whose appellations are diverse but purposes uniform, namely to squeeze some juice from the transport specialized households; this has made them feel very awkward. Because various places collect fees at random, a part of the transport specialized households therefore try very hard to escape paying fees. This has led to a very serious situation in which these individual operators run their business without a certificate. In Langfang Prefecture, motorized vehicles engaged in transportation by individual operators number 7,700, but those who went through the trouble of taking out a certificate are limited to 11.4 percent. In Shouling Prefecture, cars engaged in transportation by individual operators number altogether more than 1,500, but even fewer of these have taken out a certificate, only 4.1 percent.

In order to support individual households to engage in transportation, the industry and commerce administrative management bureau of Hebei Province has adopted a series of measures, such as allowing the peasants individually to buy a car regardless of whether a short- or long-range business license was required; breaking down barriers between districts and enlarging the business realm of the transport specialized households; issuing licenses to the transport specialized households, bringing licenses to their doors and providing guidance in their business, and so on. Today, they profoundly feel that doing all this is no longer enough; they want further turn on green lights for the

transportation specialists and help the peasants to operate their own private vehicles. They have decided: 1. All individual households engaging in transportation of goods or passengers must carry a license while running their vehicles, while those who do so without a license, after pertinent education and relevant reform, would be subjected to a fine. 2. There would be close contact with concerned departments so that they would allocate a part of their oil and gasoline as special quota for supplying individual transport households. 3. There would be made to launch policy propaganda, major creditable service and information service among the transport-specialized households. 4. The concerned departments established a comprehensive development organization organ to serve the transport specialists accordingly.

The Party to serve as division directors of all three sectors--the state-run, cooperative and individual economies, not just the state-run." Deng Chihong (1919-1988), chief, and Xu Shoulin (1916-1988), deputy chief, of the transportation bureau of Hebei Province, were interviewed by these reporters. spoke of the situation in which their guiding ideology underwent a change. They said: After the policy with respect to the peasants engaging in transportation became liberalized, we broke away from the idea of "management by a single family" and adopted the practice of "following the style of the Iron Family fighters by allowing all to come forward at once"--with the state, the collectives and individuals all engaging in the business and all being treated equally and receiving our complete services.

Beginning in the latter half of this year, the transportation bureau of Hebei Province has adopted three approaches to help the transport specialists overcome their difficulties in buying cars and running their businesses. Firstly, Hebei Province, where commodity production is fairly advanced, has repeatedly asked for cars from the transportation bureau with a view to expanding its transport business. The bureau therefore allocated 700 tons for ordering plan two big trucks to Anhui. Up to the present, they have already ordered out 14 big trucks to support the peasants' vehicles. Secondly, the county transportation office, and also relevant departments, are giving assistance to facilitate the peasants' effort to obtain licenses. On "Traffic Transportation Control Regulations" promulgated by central government, and provided that the control over transportation by individual households was of the same as that over state-run and collective transportation and discrimination is allowed.

Third, besides the traffic police, division chief Deng Chihong said to our reporters: "In the transportation departments, there are indeed some people who think their thinking is far-fetched, are accustomed to management by a single family, all unified under heavy iron. With this view, they are not favorable against individual transport households. They will regard individual household vehicles on the roads with their eyes as a threat, and would purposely suppress passenger travel for the sake of running vehicles when selling such vehicles for use, and so on. They also go over and over, we can never make or produce any policy. As far as the individual will be educated, and there are some people who will be educated. As far as those who are doing well, we will encourage them and support them. In order to make it better for the individual households to get their vehicles and have their vehicles running,

we will simply go down to those counties where there are too many vehicles to inspect them, so that the individual household vehicles will no longer have to go to the regional supervisory centers. In order to help the individual households solve their difficulties in transportation, the transportation office of Laiyuan County has organized a transportation service company to help the individual transport specialized households to connect supplies, figure out transportation fees, maintain vehicles, locate gasoline supplies, submit vehicles for inspection, arrange room and board, handle accidents, and pass on information. All this has been deeply appreciated by the individual households.

Division chief Deng Changrui finally said: However stated, the difficulties found in the operations of the individual transport households are numerous; they need us to energetically support them from all directions. We are preparing to convene a congress of individual transport households of Hebei Province to solicit their views and introduce and exchange typical experiences of the transport specialized households. The next year, we shall also organize a specialized households transport association and call upon the state-run transport departments to study the management methods of the individual transport specialized households so as to adopt their strong points and cast off their shortcomings, and promote each other, thereby doing a good job in running Hebei Province's communications and transportation undertakings through concerted efforts.

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CSO: 4006/387

TRANSPORTATION

TRANSPORT SPECIALIZED HOUSEHOLDS REPORTED SWINDLED

Beijing LIAOWANG [OUTLOOK] in Chinese No 5, 10 Dec 84 p 19

[Article by Tang Hui [0781 6540]: "Let Me Say a Few Words on Behalf of the Abused Transport Specialized Households"]

[Text] During the past year or two, we have been regularly seeing at village bus stations piles of goods awaiting transport such as acrylic fibers, garments, clothes, etc., and droves of owners of those goods--peasant hawkers who brave winds and rain and stick their necks out to watch for the arrival of long-distance buses. In the hilly areas, we would see a great deal of fruits piling up and becoming rotten because they cannot be transported elsewhere.

After the large-scale development of rural commodity production, a stark contradiction has become exposed: our communications and transportation are lagging behind, the channels of circulation for our urban and rural commodities have become clogged, and our commodities cannot be circulated. Under such circumstances, a group of farsighted and insightful peasants in various localities of Hebei have come forward to pool their capital or borrow necessary money so that they can buy their own vehicles to run transportation, taking the initiative to facilitate the exchange of urban and rural commodities and remove the state's worries and difficulties of the state.

With the peasants running transport operations, transportation shortages in various localities have accordingly been greatly alleviated. In the countryside in particular, the main transportation tasks have been undertaken by the individual transport households; this has made it possible for the the state's transport sector to reserve part of its capacity for more important transport tasks.

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The peasants running transportation has also brought a new trend to the transport trade. Most peasant transport specialized households have a better spirit in serving their customers; their transportation charges and ticket prices are fair; it is easy to negotiate and handle business with them; they treat their customers and passengers like fellow villagers by stopping their vehicles when hailed and taking a round-about route to drop their passengers; their attitude is affable; their passenger vehicles are provided with tea and dry food; and they are praised by the masses. People praise the peasant transport households' vehicles as the "vehicles of fellow villagers."

Rationally speaking, such great deeds beneficial to the state and the people should be warmly welcomed by pertinent circles; but things somehow have been turning out peculiarly. In running their transport operations the peasant transport specialized households have encounter all kinds of difficulties whether in buying their cars or traveling around; these peasants have become "suppressed daughters-in-law" who are abused everywhere.

--Some car dealers and certain basic-level enterprise cadres look upon the specialized transport households as "fat meat"; they therefore would seize their "big heads" on the matter of car prices. Except for the limited number of vehicles that peasants may buy at a reasonable price directly from the communications or goods and materials departments, the vehicles they buy from enterprises and individuals have been turned over already several times by the time they reach the peasants' hands, with their prices thus almost 100 percent higher than the original. Worse still, some enterprises also employ deceptive means to substitute bad for good and sell broken down vehicles to the peasants at a high price, thereby ensnaring the transport specialized households.

--The basic-level cadres of highway and communications departments look upon the peasants as deceivable objects; they formulate "indigenous regulations" at random, or distort existing regulations and systems, fleece the peasant transport-specialized households, or even glaringly demand money under the slightest pretext, like "picking feathers from the geese flying by."

--There are also individual state-run basic-level transport units that take the transport-specialized households as "rivals," alleging that the peasants have robbed them of their business. Instead of expanding their own business by relying on improved business management and service quality, they wield their power at hand to encircle, stem, intercept and check the peasants, squeezing them toward quiet routes with few passers-by so as to make it impossible for the transport-specialized households to make any profit or even sustain losses and become incapable or surviving in order to achieve the goal of reviving single-family management.

The reason for the appearance of these problems is that certain units and basic-level cadres are shortsighted and often engrossed in their own units' small profit and reward for their own staff and workers, failing to see the overall situation of our economic reform, and failing to see the great contribution peasant-run transportation makes toward dredging urban-rural exchange. There are also cadres who have been affected by "leftism" or look upon the peasant transport-specialized households as "drifters" making sudden money, alleging that the vehicles they are operating are "run-away cars" on the highway. Another group, on the other hand, look upon themselves as "highway seniors" and look down upon the peasants, thinking that the communications turf is destined to be monopolized by state-run units, whereas the peasants can only drive horse carriages on "access roads." The thinking of these people has fallen behind the times by a large measure; they fail to see that the peasants are capable not only of developing industrial and sideline enterprises but are also a force not to be ignored in running transportation.

Just look at Hebei, for example. There are already more than 13,000 vehicles operated by peasant transport-specialized households in the province, exceeding the number owned by state-run transportation departments. They run wild in the Yanshan and Taihangshan prefectures, they rush on the Hebei Plain, going down to thousands of households to shoulder the state's important transportation tasks; they are playing an increasingly great role in Hebei's communications and transportation. It is our hope that comrades with the above ideas change their old viewpoints and concepts a little, proceed from the interests of the state, welcome and support this new thing with full enthusiasm, help the peasant transport-specialized households overcome their difficulties, and make contributions to the development of our communications undertakings.

Comrades of the communications management sector should adopt the perspective of overall reform of the economic system in treating the three transport forces as "three brothers" without any differentiation. The peasant specialized-transport households should also abide by regulations and systems in an exemplary way, learning from the "old communications hands" of state-run enterprises, refrain from rushing forward as soon as profits become visible, from grabbing passengers or occupying routes in state-run waiting rooms. In a word, the "three brothers" must help each other, learn from each other, strive to become the advanced through competition, and make even greater contributions to the state.

When the country's urban and rural economic reform enters a deeper stage of development, developing urban and rural communications and dredging urban and rural economic exchange constitute an important link. Peasant-run transportation answers precisely the state's needs. Involved departments must speak in behalf of the abused peasant transport households, encourage the peasants to do a good job in running transportation, and let them demonstrate an even greater role in our urban and rural economic reform.

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CSO: 4006/387

TRANSPORTATION

SUPPORT OF LEGITIMATE BUSINESS STRESSED

Beijing NONGMIN RIBAO in Chinese 11 Jan 85 p 1

[Interview: "We Must Support the Legitimate Business of Transport-Specialized Households -- Vice Minister Wang Zhan of Communications Ministry Answers Staff Reporter's Questions on the Correct Treatment of Communications-Specialized Households"]

[Text] During the past few years, our communications policy has been liberalized, enabling China's transport-specialized households to gain definite development. But problems still exist in certain attitudes toward them. How then should we treat the transport-specialized households? We paid a visit to Vice Minister Wang Zhan [3769 1455 as published] of the Ministry of Communications on 21 December 1984.

Q: What regulations does the Ministry of Communications have concerning support to the transport-specialized households?

A: The Ministry of Communications issued a circular in 1984 to communications departments at all levels to ask them to actively support the development of transport-specialized households, simplify automobile inspection and driver examination procedures, and to render assistance in respect to their professional skills, business management, and driver training. In the case of those engaged in passenger transportation, they should help arrange their routes of operation and parking matters. The state-run passenger transport stations were also asked to open their doors to the individual passenger transport households and render services for a fee. In terms of policy, they should treat the individual transport-specialized households in the same way as they do the state-run and collective transport operations, and they must not laterally transfer the property and funds of the transport-specialized households. They must not concoct pretexts to collect fees at random; they must also help the transport-specialized households implement safety measures and do a good job of providing safety in their transport work.

Q: According to reports received, some places have witnessed the practice of random collection of fees, interception of vehicles, and levying of fines. Please tell us what regulations are in effect concerning the collecting of such levies.

A: According to documents issued by the State Council and concerned ministerial commissions, the following levies must be collected from those engaged in highway transportation: (1) Road maintenance fees. These are prescribed uniformly throughout the country; every state-run, collective or individual transport enterprise must pay them. These fees are collected all at once, and during the effective period they are recognized throughout the country. However, bridges built with loans must collect extra bridge passage fees. (2) Transport management fees, also prescribed uniformly throughout the country. (3) License fees, paid when licenses are taken out at the beginning of a new year. The Ministry of Communications has no regulations concerning the reported collection of transient charges, city entry charges, and so on. Those who carry overloads in violation of traffic regulations and those who refuse to remit road maintenance fees according to regulations may, in some cases, be subject to a fine. But such a fine should have been prescribed in written documents, and formal receipts must be given. With regard to the unhealthy practice of collecting fees at random, intercepting vehicles at random, and levying fines at random, all must resist them together; once they are discovered, the communications department at the superior level must investigate the situation thoroughly and hand down solemn punishment.

Q: How should we treat the matter of competition in transport?

A: Car cargo transport specialized households may look for supplies of goods themselves, or the local communications and transportation departments may help organize such supplies; the routes of operation should not be subject to restriction. All vehicles engaged in passenger transportation should run their business according to prescribed routes without arbitrary changes so as to avoid having passengers waiting in vain alongside the established routes. State-run, collective enterprises and individual households must not engage in mutual contention for these routes. We advocate the development of competition on the basis of improving our service attitude, raising the quality of our services, and assuring our safety, so that one must win by providing quality services.

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CSO: 4006/387

TRANSPORTATION

BRIEFS

URUMQI TO GUANGZHOU FLIGHT--Urumqi, 7 Apr (XINHUA)--The first direct flight from Urumqi to Guangzhou left Urumqi on the morning of 7 April with 80 passengers on board. The new route is more than 1,200 kilometers shorter than that from Urumqi via Beijing to Guangzhou, and is over 900 kilometers shorter than the route from Urumqi via Shanghai to Guangzhou. It also enables passengers to save 1 to 3 days on the way. The flight schedule has been tentatively set at one flight every Sunday in April, and the number of flights will be increased in future as circumstances necessitate. [Summary] [Beijing XINHUA Domestic Service in Chinese 1413 GMT 7 Apr 85 OW]

TIANJIN NEW AIR ROUTE--The Tianjin-Hangzhou-Guilin air route began service on 20 April. This is the second new air route opened in Tianjin in 1985. This air route passes through 12 provinces, cities, and autonomous regions, with a total length of 4,620 km. The flying time is 6 hours. [Summary] [Tianjin City Service in Mandarin 1430 GMT 23 Apr 85 SK]

RAILROAD CONSTRUCTION CEREMONY--A ceremony to mark the start of construction of the North Xinjiang railroad was held in Urumqi today. The ceremony was attended by regional leaders Wang Enmao, Xiao Quanfu, Tan Shanhe, Ismail Amat, Tomur Dawamat, Qi Guo, and Li Jiayu. Regional CPC Committee Secretary Qi Guo made a speech. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 1 May 85 HK]

CSO: 4006/582

TAIWAN

TAIWAN, SOUTH AFRICA TO PROMOTE BILATERAL TIES

OW250411 Taipei CNA in English 0232 GMT 25 Apr 85

[Text] Taipei, 24 Apr (CNA)--The governments of the Republic of China [ROC] and the Republic of South Africa [RSA] have decided to further promote their economic and trade relations by strengthening cooperation in the fields of trade, industry, transportation, technology and energy resources, Economics Minister Lee Ta-hai said Wednesday.

The minister added that this will mutually benefit the two friendly countries.

Lee just returned from the Seventh ROC-RSA Economic and Technical Cooperation Conference held in Capetown, South Africa, April 18-22.

During a press conference at the Ministry of Economic, Affairs here late Wednesday afternoon, the minister noted that the biggest achievement in the conference was the decision to enhance bilateral technological, mining and energy resources cooperation.

According to a mining and energy resources cooperative agreement signed in the conference, the two governments will encourage the private sectors to exploit jointly mineral resources and exchange professional personnel and mining techniques.

Lee said the two countries agreed to continue exchanges of technicians and strengthen technical cooperation on the use of coal and the exploitation of energy resources.

The economics minister added that the ROC and the RSA also agreed to sign an agreement in the near future for Chinese medicare personnel to undergo training in South Africa. The two nations will conduct joint researches on neurology, cancer and chemistry.

They will also consider the signing of an agreement on the protection of industrial intelligence property rights, Lee said, adding that exchange activities between civil organizations of the two countries will be promoted at the same time.

CSO: 4020/205

TAIWAN

PREMIER URGES MORE EFFORT FOR ECONOMIC GROWTH

OW251819 Taipei CNA in English 1456 GMT 25 Apr 85

[Text] Taipei, 25 Apr (CNA)--Premier Yu Kuo-hwa Thursday directed government agencies that they should not forecast long-term trends of economic development in the country by judging from only one single months' performance.

He urged them to strive harder and coordinate more closely while pushing ahead work in order to assure stable growth of the nation's economy.

At Thursday's meeting of the Executive Yuan, the premier heard a report on the nation's economic situation in march from the Council for Economic Planning and Development.

The nation's two-way trade totaled US \$4.13 billion last month, down 2.5 percent from the same worth of last year, the CEPD said.

Of the total, US \$2.24 billion came from exports, down 9.2 percent from that of March last year while imports contributed US \$1.89 billion, up 6.9 percent from that of March last year.

The index of industrial production decreased 2.5 percent last month, and the government's NT \$32.8 billion tax revenues were down 6.4 percent from the same month in 1984.

Wholesale prices in March dropped 2.02 percent as compared with the same period of the year before while consumer prices climbed 1.2 percent last month above what they had been for the same month in 1984.

CSO: 4020/205

TAIWAN

TAIWAN, BELGIUM HOLD ECONOMIC COOPERATION TALKS

OW251125 Taipei CNA in English 1044 GMT 25 Apr 85

[Text] Taipei, 24 Apr (CNA)--In light of the Republic of China's renewed emphasis on trade liberalization and internationalization, the country welcomes stronger economic and technical cooperation programs with Belgium, Vice Minister of Economic Affairs Wang Chien-shien said Thursday

Wang made the remarks at the opening ceremony of the fifth Sino-Belgian economic cooperation conference at the Hilton Hotel in Taipei.

The country has adopted measures, Wang said, to restructure its industry, to upgrade service sectors and to stimulate the development of science and technology. The measures include tariff reductions, liberalization of trade regulations and establishment of offshore banking centers.

To enhance these measures, Wang stressed, foreign investment and technical cooperation are most welcome, not only to meet domestic need but also for developing cooperation in third markets.

M.H. King, chairman of the Chinese-Belgian Economic Cooperation Committee, said that the Republic of China has reduced tariffs for a wide range of consumer goods, but the benefit so far has gone only to geographically closer trade partners or those who already have high levels of trade here. In order for Belgium to benefit from such tariff reductions, King said, efforts such as conducting promotional exhibitions for Belgian goods must be doubled.

Paul Lejour, chairman of the Belgian-Chinese Economic Cooperation Committee, said that through the meeting, "We are able to promote new ventures and to become aware of each other's wishes and problems in the sphere of cooperation."

During the meeting, participants from both nations approved the issue of a joint statement that stresses the expansion of bilateral cooperation in trade and technical fields. The signing ceremony will take place Friday. The next meeting will be held in Belgium.

CSO: 4020/205

TAIWAN

DELEGATION TO ATTEND ADB MEETING IN BANGKOK

OW251121 Taipei CNA in English 0938 GMT 25 Apr 85

[Text] Taipei, 25 Apr (CNA)--The Chinese delegation to the Asian Development Bank's (ADB) annual meeting will depart for Bangkok tomorrow.

The annual ADB meeting will open in Bangkok on 30 April.

The Chinese delegation will be led by C.C. Chang, governor of the Central Bank of China. Other members of the mission will include Tsui Tsu-kan, vice chairman of the Council for Economic Planning and Development; Pai Pei-ying, vice finance minister; Day Lih-ming, director of the Monetary Department, Ministry of Finance; Yu Chen, general manager of the Foreign Exchange Department, Central Bank of China.

According to informed sources, one of the topics at the forthcoming meeting will be the admittance of Communist China into the international finance body.

CSO: 4020/205

TAIWAN

MEMBERS OF SPECIAL ECONOMIC TASK FORCE ANNOUNCED

OW010939 Taipei CHINA POST in English 27 Apr 85 p 12

[Text] Membership of a special task force to be set up by the Executive Yuan to revive the economy has reportedly already been decided.

It is expected to include 12 ranking government officials, nine scholars and nine entrepreneurs, the Great China Evening News reported yesterday.

The 12 government officials will include Ministers of State K.T. Li and Chow Hong-tao, Director-General of Budget, Accounting & Statistics Chung Shih-yi, Economics Minister T.H. Lee, Finance Minister J.K. Loh, Chairman and Vice Chairman of the Council for Economic Planning and Development Chao Yao-tung and Wang Cha-ming, Governor of the Central Bank of China Chang Chi-cheng, Secretary-General of the Executive Yuan Wang Chang-ching, Minister of Communications Lien Chan, Vice Economics Minister Li Mo, and Vice Finance Minister Li Hung-ao.

The nine economists will be Chiang Sho-chieh Wang Tso-jung, Sun Chen, Yu Tsung-hsien, Liu Tai-ying, Lu Min-jen, Ho Chia-chu, Chen Ting-an, and Lin Chung-hsiung.

The nine entrepreneurs will include Chairman of the Chinese National Federation of Industries and President of Taiwan Cement Corporation Koo Chen-fu, President of the Formosa Plastic group Wang Yung-ching, President of Tatung Company T.S. Lin, Chairman of Yue Loong Motor Company Mrs Vivian W. Yen, President of the Shinkong Synthetic Fibers Group Wu Ho Su, President of Far Eastern Textile Y.Z. Hsu, President of Sampo Corporation M.P. Chen, Chairman of the General Chamber of Commerce of the Republic of China Wan Yoo-theng, and President of Mattel Ltd. and Mabuchi Taiwan Company T.T. Chao.

CSO: 4020/205

TAIWAN

ECONOMIC PLANNING COUNCIL URGES TARIFF CUT

OW150409 Taipei CNA in English 0304 GMT 25 Apr 85

[Text] Taipei, 24 Apr (CNA)--The Council for Economic Planning and Development [CEPD] has suggested that the Finance Ministry lower the income tax rate for profit-making organizations to no more than 25 percent in order to enhance investment willingness and facilitate economic development.

CEPD Chairman Chao Yao-tung convened a meeting Tuesday to discuss how to promote the principle of the people's livelihood on this bastion of national recovery, Taiwan.

Officials present at the meeting suggested that the government make a thorough review of the current tax system, reduce the number of people in certain professions whose incomes are tax-free and lower the income tax rate for profit-making organizations to no more than 25 percent.

The new value-added tax system should be put into force as scheduled after it is passed by the Legislative Yuan, they said.

These officials were unanimous in the view that the government should completely eliminate the surtax on import products by the end of this year and lower import tariffs to the level of 5 percent, as have many advanced nations in a period of six years.

The current policy, which allows manufacturers who import materials for export purposes to have tax rebates, should be cancelled in five years, they suggested.

CSO: 4070/205

TAIWAN

TAIWAN, RSA TO NEGOTIATE COAL, URANIUM CONTRACTS

OW241828 Taipei CNA in English 1450 GMT 24 Apr 85

[Text] Taipei, 24 Apr (CNA)--The Republic of China will continue its negotiations with South Africa on long-term procurement contracts on coal and uranium in the 1990s and the two sides will sign the contracts at an appropriate time.

Chairman L.K. Chen of Taiwan Power Company, who has just returned from a visit to the Republic of South Africa, said Wednesday that the South African Government has agreed to assist its private firms in signing the contracts with Taipower. South Africa made the commitment during the just concluded seventh ROC-RSA economic and technical cooperation conference in Capetown, he added.

Under the existing 10-year contract between the two countries, Chen noted, his company will have bought 10 million pounds of uranium fuel from South Africa through OOW [expansion unknown] at a total cost of US \$300 million.

He said uranium is a by-product of South Africa's gold mines, and therefore, the supply of this kind of fuel is stable and at reasonable prices.

The Republic of China will have no problem in purchasing uranium from that African country in the future, Chen noted.

In order to diversify this nation's sources of uranium supplies, Taipower is also buying the fuel from the United States, Chen said, adding that his company is planning to join American firms in exploring uranium mines to ensure its supply in the future.

CSO: 4020/205

HONG KONG MEDIA ON CHINA

GUANGDONG'S FOREIGN CAPITAL USE IN 1984, 1985 PLANS DISCUSSED

Hong Kong DINGJI DABAO [ECONOMIC REPORTER] in Chinese No 9, 4 Mar 85
p 21

[Article by Zhou Shude [0719 7885 1795]: "Greater Important Successes Forecast in Guangdong's Use of Foreign Capital"]

[Text] This reporter learned at the recent conference on Guangdong's foreign economic relations and trade that greater successes will be achieved this year by the said province in the use of foreign capital and the importation of technologies.

Special Characteristics Observed in 1984

Following the improvement of the investment environment, last year saw a rapid acceleration in the use of foreign capital in Guangdong Province. Throughout the whole province, from south to north, from east to west, from the coastal regions to the mountains, there was a widespread movement to work for the utilization of foreign capital and for the importation of technologies. Actual use of foreign capital throughout the year increased by over \$100 million over the amount used in 1983, making this year a record year since implementation of the policy of opening up to the outside world.

The following are special phenomena that characterized last year's use of foreign capital in Guangdong:

1) The method of the "three comings and one supplementing" was continuously expanding; there was a large increase in Chinese-foreign (Hong Kong) joint capital and cooperative business ventures. Last year, these ventures turned over a net amount of fees at completion of work of \$250 million, an increase of 45 percent compared to 1983. 2) More and more businessmen came for exploratory negotiations. Over 11,800 contracts were signed last year. The visitors came from 25 different countries and territories, among them Hong Kong, Macao, Japan, the United States, France, Canada, Austria, Argentina and Thailand. At the meeting for exploratory discussions on investments in Chinese cities opened for foreign trade held in Hong Kong at the end of last year, 167 contracts, agreements and documents of intention were signed between foreign businessmen and the "five cities and one island" of Guangdong (Shenzhen, Shantou, Zhuhai, Guangzhou, Zhanjiang and Hainan

Island). In these agreement, 81 large projects will make \$1.8 billion of foreign investments available. 3) Use of foreign investments in the mountainous regions has made great strides forward. In the first 8 months of last year alone, the total number of all kinds of contracts signed amounted to 69 percent of all the contracts signed during recent years, and actual foreign investments was 1.7-fold the total of recent years. 4) There was a great increase in patterns for the use of foreign investments, showing much more flexibility. Apart from the "three comings and one supplementing" and the joint capital and cooperative ventures, there were also international leasing, buyer's credits, bond issues, foreign operations with their own capital, etc. 5) Many large projects were completed and put into operation. During the whole year, 35 projects were fully or partly completed and became operational, which accounted for about 40 percent of the large projects. They included completion and opening for traffic of four large bridges on the Guangzhou-Zhujiang highway, renovation of and putting into operation the long-distance telephone line between Guangzhou and Hong Kong, opening for business of the Guangmei Foodstuffs Co, of the complete Zhongguo (Guangzhou) Hotel, of part of the Huayuan Hotel, etc.

Through the experiences gathered in recent years, the work force throughout the province engaged in foreign economic relations and trade have gained much competence, increased their business abilities, and many cadres have emerged who understand our policies, are technically informed, and have good administrative and accountancy skills. They are capable of starting out from the realities of the situation and of handling joint Chinese-foreign economic and technological projects on the principle of equality and mutual benefit. This is an important precondition for the initiation, one step further, of a new overall situation in the utilization of foreign capital in Guangdong Province.

The Plan for This Year

In this new year, our starting point is to be the importation of advanced technologies in order to speed up the technological renovation of our present enterprises and to strengthen such weak links in our national economy as exist in energy sources, communications and transportation. We must further open up cities particularly in the special economic zones [SEZ's]. In the Zhujiang Delta zone opened up for economic activities we must further import advanced technologies and import technology-intensive and knowledge-intensive projects.

In the near future, Guangdong will utilize foreign capital in the following key areas:

Speeding up technological reforms of our present enterprises. The key areas shall be light industry, and textile, foodstuffs, electronics, building materials, chemical, machine building, metallurgical, medical and pharmaceutical industries, and we shall energetically strive to produce high-quality foodstuffs and beverages and improve the packaging of foodstuffs. To adapt to the readjustment of the structure of agricultural production, it is necessary to speed up the technological reform of agriculture. We

must also make great efforts to import superior seeds, breeding cattle, import seeds and cultivation techniques of tropical crops, preservation techniques for fruits and vegetables, aquatic breeding techniques for sea- and freshwater and develop processing industries for agricultural and sideline products.

Speeding up energy sources, transportation and communications construction. First of all we must prominently push the development of electric power. Apart from finishing the nuclear power plants now under construction, we must also build a number of large thermal power plants, oil-shale power plants and medium and small-scale hydropower stations. As to transportation, we must speed up double-tracking of the Hengyang-Guangzhou line and of the Guangzhou-Shenzhen line, and must complete the railway between Sanshui and Maoming. We must build express highways between Guangzhou and Shenzhen and Zhuhai, and also between Guangzhou and Foshan, and must also improve certain highway trunk lines. We must build several new deepwater harbors and enlarge several airports. As to communications, we must speed up the renovation of telephone and long-distance line equipment in all medium-sized cities and gradually develop fiber-optical communications.

Opening up of Natural Resources. We must gradually exploit several sources of nonferrous metals and build up a base of a North Guangdong nonferrous metal industry with lead and zinc mining as core industries. In coordination with the exploitation of the South China Sea oilfields, we must gradually develop a petrochemical and natural gas industry.

Development of newly arising industries must center around the development of microcomputers, bioengineering and new materials.

Continued development of the tourist industry. Here the focus must be on the development of the four "hot lines" of tourism: Guangzhou to Shenzhen, Guangzhou to Zhongshan and Zhuhai, Guangzhou to Shaoguan and Guangzhou to Zhaoqing. We must open up new points for tourism and provide more facilities for tourists. Further development is also needed in the tourist industry on Hainan Island.

Measures to Speed Up the Pace of Developments

This year, Guangdong Province will carry out an overall reform of its past foreign economic and trade relations system on the principle of "separation of responsibilities of government administration and those of business management, institution of an agency system, and linkage between industry and trade, between technology and trade and between imports and exports." The provincial commission for foreign economic relations and trade officially started work on 1 October of last year and from the start of this year will close midday for 1 hour only.

Second, effective simplification of administration and yielding powers. We must fully arouse the enthusiasm of all municipalities, prefectures and counties for the utilization of foreign capital. As long as projects do not interfere with the overall balance in state and province, the said local

authorities themselves shall be free from now on to exercise the powers of examination and approval of all projects for the importation of advanced technologies, projects in connection with the opening up of domestic or foreign markets, especially international markets, projects that bring in experience in scientific business operations and management and that will also enable improving economic effectiveness.

Third, we must uphold the principle of linking importation of technologies with expansion of trade and find a rational solution for the problem of domestic sales of some of the production from joint enterprises. As long as a project provides technologies that are truly of an advanced nature, that are such that China is lacking and that are showing good socioeconomic results, its products may be granted permission to be sold domestically; in some cases they may even primarily be designated for domestic sale.

We must also speed up legislation concerning foreign economic relations and strengthen education in the legal system. Before new legislation is promulgated, specific provisions on the rights, obligations and other relevant items concerning the two parties of the cooperation may be stipulated in the contract, which after due examination and approval will assume legal force. Should later legislation differ from contract stipulations, Guangdong Province will respect the provisions of earlier signed contracts.

Finally, Guangdong Province is now in the process of vigorously implementing the projects for which contracts were signed at the Hong Kong meeting, but also plans to hold an export commodities exhibition and trade meeting in Western Europe in June or July this year to further expand foreign economic and technical cooperation.

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CSO: 4006/508

HONG KONG MEDIA ON CHINA

SHANTOU SEZ STRIVES FOR COMPREHENSIVENESS

Longhu Industrial Zone

Hong Kong JINGJI DAobao [ECONOMIC REPORTER] in Chinese No 9, 4 Mar 85
p 22

[Article by Lin Xiayang [2651 1115 7122]: "The Newly Built Up Industrial Zone of Longhu"]

[Text] The spring breeze of opening up to the outside world has awakened this plot of slumbering soil--Longhu. Now it is no longer a piece of wasteland overgrown with weeds. The embryonic forms of a new industrial zone are meeting our eyes.

Along the straight Jinsha Road until we turn into spacious Yingbin Road, filled with the scent of flowers, the road brings us like an open gate into the Longhu industrial zone. The industrial zone is the key construction area of the Shantou EZ. In 3 years it developed from a pure export processing area into an industrial zone of a comprehensive character, and gradually assumed all appearances of an excellent investment environment. In the first stage of the development, covering 0.2 km², the basic engineering work of "the five connections and one leveling" has all been completed. The first lot of three factory buildings of 10,000 M² surface area each for use of light industry has already been taken into use. The second lot of three factory buildings of 12,000 M² surface area each has also been finished and turned over for use. Several more factory buildings are in the process of being built. Other auxiliary facilities have also already been completed and taken into service, such as a fully equipped Longhu Guest House, a market with an abundance of goods, a fast-food restaurant to solve the workers' eating problem, a high-class hostel, providing comfortable lodging for investors and their family members and a car park for the convenience of businessmen and tourists coming to the industrial zone. An investment environment that has provided for all ancillary amenities, food, lodging, purchases, transportation and work, will attract many Chinese and foreign investors.

In the last 3 years, over 3,000 visits were paid to the Longhu industrial zone for sightseeing, business discussions and by investors. They came from more than 10 different countries and territories, such as the

United States, Japan, Canada, Australia, Denmark, Singapore, Thailand, Malaysia, Hong Kong and Macao. Up to the end of 1984, over 200 projects were under discussion. Contracts that were signed for joint ventures, cooperative management, compensation trade and processing of imported materials numbered 79 and included such branches as textiles, clothing, toys, furniture and fittings, carpets, plastics, medical and pharmaceutical products, building materials, foodstuffs, packaging, leather, chinaware and other goods. Fifteen of these projects have already been fulfilled and have started operations. The main products from enterprises financed with foreign capital, such as clothing, carpets, electronic toys, furniture, jewelry, leather goods, plastic goods have already entered the international market and have generally been well received. The first lot of foreign enterprises that have come into the industrial zone have achieved good economic results, some have even already expanded their reproduction and intend to develop on a larger scale.

Attracting foreign involvement and establishing domestic connections are the wheels for the development of the industrial zone. As to the domestic connections, much progress has been made by the industrial zone. In the course of time, over 30 representatives of various industries and trades have come to the industrial zone from Beijing, Hubei, Zhengzhou, Guangzhou, Shantou and other cities. Five industrial contracts have been signed, of which three are already being carried out in actual operations. The operations in the interior of these enterprises that have thus established connections domestically generally possess solid technological foundations and are, therefore, providing good preconditions for further importation of foreign capital.

Following the first stage of engineering work, now completed, the requisitioning of land--0.24 km²--of the second stage has already been completed and the basic work of the "five connections and one leveling" is in progress, in order to meet the constantly growing developmental needs and the demands of the investors.

This year, while also selectively bringing in some labor-intensive enterprises, the industrial zone will orient toward the whole world in making great efforts to import a number of capital- and technology-intensive enterprises to raise the industrial zone to a much higher level of development.

Joint Ventures, Enterprise Restructuring

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 9, 4 Mar 85, p 22

[Article by Wang Ruizhong [3769 3843 1813] and Sun Lin [1327 3829]:
"Importing Technology To Restructure Old Enterprises"]

[Text] Shantou originally had a solid industrial foundation with its 375 factories and enterprises, of which over 120 had producing export commodities of over 130 kinds for sale in 106 countries and territories; its production

potential was of considerable dimensions.

Shantou is making use of this advantage as it is now importing technologies and capital for joint ventures to restructure its old enterprises for the production of export commodities. For these old enterprises, government policy has established that they shall enjoy preferential treatment, the same as the enterprises of the special zone, as regards their imports of means of production and in the payment of taxes. Hence, the various economic departments of Shantou Municipality from 1982 on organized on several occasions special forces for the repeated investigation and study of old enterprises already established in the city and formulated individual projects, publicized the projects and invited foreign businessmen and overseas Chinese businessmen to invest in the restructuring of the old enterprises. Within a little over 2 years, almost 100 foreign businessmen and businessmen from Hong Kong and Macao came to negotiate the restructuring of old enterprises. Sixty-eight contracts were signed with a planned investment of HK\$400 million. Ten of these projects have already been completed with an investment of about HK\$80 million and the importation of 650 items of equipment. Compared with new enterprises, the old enterprises require much less investment, show much earlier results, produce at comparatively low costs and show a fairly high labor productivity. According to estimates by departments concerned, restructuring an old enterprise can generally save one-third in investment, as compared to building up a new enterprise with the equivalent production capacity; it can also save 60 percent in equipment and materials and can be achieved in half the time. The No 1 Plastics Factory of Shantou Municipality set up a plant manufacturing plastic sheet, utilizing HK\$6.4 million in foreign capital to import a continuous extruder production line from Japan with a capacity of 15 million tons of plastic sheet per year. All the equipment, including two vacuum plastic suction machines, enjoyed exemption from duty as applicable to the enterprises of the SEZ, thus saving over HK\$600,000, which was very beneficial indeed for both parties of the joint venture. The said plant produces all kinds of standard transparent and semitransparent polyethylene sheets and other products. The products sell well domestically and abroad and quickly yield good economic results. Another example is the Shantou Plastics Materials Plant (originally a solvent plant), which last year entered into a joint venture with a Hong Kong firm, imported an entire set of equipment for the spinning of plastics and produces chemical fibers. Its products also are welcomed at home and abroad, and the plant quickly achieved good economic results. The enterprise with its old factory buildings, old equipment, insufficient production and backward products thus gained a new life.

Entrepreneur Discusses Investment in Shantou

Hong Kong JINGJI DAobao [ECONOMIC REPORTER] in Chinese No 9, 9 Mar 85 p 23

[Article by Sun Guolin [1327 09483829]: "Long-term Cooperation, Expansion of Scale"]

[Text] The Zhengda International Investment Co of Hong Kong must currently be regarded as the company with the largest investment in the Shantou SEZ, also with the investments of the largest scale and widest scope. This company, using the patterns of individual independent investment, joint venture and cooperative management, is operating a carpet factory, a feed-processing plant, the Longzhu Development Co, the Longzhu Marine Products Co, the Jinda Plastic Packaging Machinery Plant and a plastic vacuum mold plating plant. Its actual investments by now exceed HK\$320 million. In the Shantou SEZ the company has certainly become a decisive factor, attracting everyone's attention.

The following is some information on an informal talk which this writer had with Xie Pin [6200 0756], general manager of the Longzhu Marine Products Development Co and the Longzhu Marine Products Co, Ltd, concerning investments and the establishment of factories in the Shantou special economic zone.

Question: Will Director Xie please tell me something of his intentions regarding the Shantou special zone?

Answer: Our group has already invested a total of HK\$320 million in the Shantou SEZ. Although most of the factories are still in the state of basic construction and initial stages of production, we are confident that we shall in future achieve extremely good economic results. We have already decided to expand our investments here and to engage in a long-term cooperation with the Shantou SEZ. Our strategic goal is to continuously develop modern production technologies, create products that will easily sell and satisfy the market, open up international markets, energetically strive to compete with the developed countries and gradually form a trade and sales network that will occupy a position in the international market.

Question: What advanced technologies are you importing, how is business?

Answer: The Shantou Carpet Co is the top enterprise in the Shantou SEZ, with a registered capital of HK\$2.5 million and among the first in the world as regards volume of carpet production. It is greatly admired by American businessmen and its products highly welcomed by consumers in the markets of the world. Formerly all raw material was imported, but preparations are being made now to partly use domestic supplies. The price of the domestic raw material is low, but spinning and dying techniques are unsatisfactory. We are preparing importation of advanced techniques to raise the quality of the wool from domestic sources and thus open up markets for Chinese domestic wool. We have built factory buildings in the Shantou SEZ to operate

with our own capital the Zhengda Kangdi—Shantou Co Feed-Processing Plant with a total investment of over HK\$8 million. The investment is made by the world's largest transnational feed-processing company, the Zhengda Kangdi Co Ltd, which also will bring in its technology. The technology brought in by this company and the products it sells has promoted the modernization of China's livestock raising industry. There is also the Longzhu Development Co in the Shantou SEZ, which mainly imports foreign capital and technologies, helps find and open up markets abroad for China's nontraditional export commodities and finds ways to import advanced technologies, equipment, funds for old Shantou enterprises that need restructuring and also engages in cooperation for this purpose.

The Longzhu Marine Products Co mainly engages in the aquatic breeding of eel, shrimp, etc. There is now great demand for eel from Japan and Southeast Asia. The breeding stock is provided domestically, and the Shantou eel stock comes out earliest and is also of good quality, but it does not pay to merely sell fish breeding stock. Only by raising big fish can a good price and good economic results be achieved. At present this place lacks advanced techniques of raising and transporting fish. We have engaged the best technical experts from abroad to propagate breeding techniques, provide feed and raise big fish. We have also organized a marketing network in the international market where we will compete with Japan, to satisfy the demand for eel in the international market, to the benefit of Shantou. Currently, China's commodity packaging technology is backward, so that basically high-quality products lose competitiveness due to unsatisfactory packaging. The Jinda Plastics Packaging Machinery Plant and the Plastics Vacuum Mold Plating Plant mainly import advanced packaging technologies and production machinery. Some of it still fills a gap in domestic technology, and for these very much needed technologies, foreign countries may not want to sell their patent rights. To arrange import and transfer through one of Zhengda's subsidiary companies can save China large amounts of money.

Question: Why are you eager to invest in the Shantou SEZ?

Answer: Currently, the political situation in China is stable, its prestige is continuously on the rise and its economy continues to grow. Moreover, Shantou has an ample industrial foundation and a large reservoir of scientific and technical talent. We also feel there is an extremely broad domestic market. We first came to Shantou in 1980, when the Shantou SEZ was just being started. In the few years since then, the investment environment has greatly improved, policies have become more and more liberal and preferential conditions for investments are getting more and more favorable. The leadership of the SEZ and all units are very supportive for us. We get along well with the staff and workers that we have employed. Our production can therefore develop smoothly. All circumstances strengthen our resolve and confidence as to investments in Shantou, thus we shall continue to expand our investments.

HONG KONG ECONOMIC TRENDS

MIDDLE EAST SYNDICATE'S INCURSION INTO HONG KONG REPORTED

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 12, 25 Mar 85 pp 5-6

[Article by correspondent Fu Wen [0265 2429]: "First Step of Middle East Syndicate's Incursion into Hong Kong"]

[Text] The greatest significance in the take-over of Sun Hung Kai Bank by the Arab Bank is that it may lead to further Middle East investment in Hong Kong or the use of Hong Kong as its base of expansion in the Asia-Pacific Region. At the same time, this take-over has certain effects on Sun Hung Kai Bank and the Sun Hung Kai Group.

In Hong Kong where funds can freely go in and out and discrimination against foreign capital does not exist, the take-over or merge of companies or enterprises should be an entirely normal phenomenon. However, the take-over of Sun Hung Kai Bank in Hong Kong by the Arab Bank of Middle East has attracted great public attention. In fact, this even has repercussion in many quarters.

Entry of Middle East Funds

The take-over of Sun Hong Kai Bank (hereinafter abbreviated as Sun Bank) has become a spectacular event probably because its new owner, the Arab Banking Group (hereinafter abbreviated as Arab Bank) is jointly operated by three oil producing countries--Kuwait, Libya and Abu Dhabi--with Bahrain as its base. The stature of Arab Bank lends special significance to the take-over.

As an international financial and commercial city, Hong Kong has funds coming in from many different sources. However, we cannot overlook that in absorbing the funds amassed from the soaring oil prices in the 1970's, Hong Kong's performance has not been satisfactory. In this respect, Hong Kong was not even a match for its competitor Singapore, not to mention London, New York, Tokyo and other cities of the industrial countries. Because of its established oil trade relations, Singapore has not only 10 branch banks, offices, and commercial banks from the Arab countries, but also many gigantic development projects in cooperation with Middle East capital, including the building of an oil city. In Hong Kong, however, Middle East capital has its foothold only in banking. Even in banking, according to statistics, there are only 10 organizations with Middle East capital, and all of them are registered

deposit-taking companies, representative offices or administrative companies. Therefore, we may say that the successful take-over of a full-service Sun Bank and the establishment of its branches mean that the Middle East Syndicate has for the first time obtained a banking license and will occupy an important place among Hong Kong banks.

As we can see from what Sadi [transliterated], president of Arab bank, said, this bank is very optimistic in the future of Asia, especially the future of Hong Kong. It is also keenly interested in Hong Kong, well known as an important commercial and financial center, and has attached great importance to Hong Kong's role in developing its business with China. Therefore, before buying up Sun Bank, the Arab Bank had already consulted two other syndicates on this venture. Now the successful take-over is certainly a source of gratification to Arab Bank. To Hong Kong, it also means the absorption of Middle East capital. Actually, the capital to be poured into Sun Bank by Arab Bank alone amounts to HK\$732 million, but of even greater significance is that with the establishment of Arab Bank's foothold in Hong Kong, a bridge will be laid between Middle East and Hong Kong to facilitate investment by the Middle East region in Hong Kong and China. Moreover, encouraged by this successful take-over, Middle East and other syndicates may come in a steady stream for investment in Hong Kong. In this respect, this take-over is but the first step in the incursion of Middle East syndicates into Hong Kong.

Because of the surplus in oil supply and the decrease in oil prices, oil funds for the OPEC countries as a whole has been greatly reduced. However, since all the three partners of the Arab Bank are "countries of low absorbing capacity," there are still funds in huge amounts waiting for investment opportunities. This shows the good opportunity for Hong Kong to draw in Middle East funds. Hong Kong is probably in a better position than is Singapore in this respect.

Increase in Sun Bank's Resources

Sun Bank was upgraded in March 1982 when Sun Hung Kai Financial Company obtained its banking license. Sun Bank could be justly proud of being the first local company to obtain a banking license in the mid-1960's. Since then, however, it had a series of reverses, and was forced in 1983 to accept financial assistance from Merrill Lynch of the United States and Banque [Pelletier] of France. Fung King Hey contributed HK\$120 million as a personal loan, Hong Kong Government deposited its Currency Fund, and the Hong Kong & Shanghai Banking Corporation extended credit in a rescue operation. That year, Sun Bank went into red ink.

It should be pointed out that the predicaments of Sun Bank were mainly attributed to the Hong Kong dollar crisis and the property market crash. Yet it could not be denied that its limited scope of operation had something to do with it. It was quite clear that as a bank upgraded from a financial company, Sun Bank was only a new comer in Hong Kong's banking business and inevitably had some disadvantage in competing against larger banks.

Now, after the take-over, Sun Bank's resources have been augmented. On the one hand, the HK\$360 million paid by Arab Bank in the take-over, and the HK\$120 million converted into common stocks from Fung King Hey's secondary loan have combined to increase Sun Bank's capital to HK\$480 million. Furthermore, Arab Bank also poured in HK\$372 million in the form of fixed bonds (later changed to priority stocks). Sun Bank's capital has thus been greatly increased. (According to a news report draft issued by Arab Bank, Sun Bank's capital after these readjustments will amount to HK\$682 million.) This increase in capital will pave the way for Sun Bank's expansion. On the other hand, since Arab Bank is financially strong with an extensive international business network and the backing of three OPEC countries, Sun Bank's standing will be higher after the take-over. Furthermore, its assets were reassessed after the take-over, and its assets and liabilities were liquidated. (The extraordinary losses underwritten by Sun Hung Kai Group as a result of the bank's liquidation amounted to HK\$186 million). Thus Sun Bank's liabilities were "neatly" disposed of (and it is said to be the "neatest" bank in Hong Kong). Although we certainly do not know if such liquidation is rational, it is positively beneficial to Sun Bank's subsequent operation, since it will have no more burden.

Because of its increased resources, higher prestige and the fact that it continues to be managed in the form of a local financial institution (including the retention of its former personnel under the same personnel policy), Sun Bank's future competitive power is expected to be stronger.

Fung King Hey Again Demonstrating His Prowess

Sun Hung Kai Company Ltd, the holding company of Sun Bank, was founded by Fung King Hey single-handedly. In the 1970's, the predecessor of Sun Bank and its sister company Sun Hung Kai Securities, had good reputations in Hong Kong's financial market. The latter was actually the largest stock brokerage in Hong Kong, and its founders were all important people in Hong Kong's financial market. However, the situation changed in the past several years. After reinforcing Sun Bank's capital during its 1983 reverses, Merrill Lynch of the United States and Banque [Pelletier] of France increased their shares in Sun Hung Kai Company Ltd to 51 percent and became the major shareholders. Fung's shares dropped from 40 percent to 25.5 percent. Probably because of the blows from the loss of control over Sun Hung Kai's stocks and his incongenial cooperation with his three colleagues, as well as the personnel changes in the high echelons, Fung resigned as the executive president of Sun Hung Kai Company Ltd and the word "nonexecutive" was added to his title of director. For a certain period later, it was rumored that Fung had "lost his great power" or "retired to the background."

After this take-over, people generally believe that Fung will make his comeback and recover his former eminence in the financial market. This belief may not be groundless. One of the signs of his comeback is that he has consented to turn his loans to the bank into shares, and another is that he now owns 25 percent of the bank's shares. Although this proportion is slightly lower than what he controls through Sun Hung Kai Company Ltd., he is no longer an "nonexecutive" officer but the chairman. In fact, after

reaching the agreement with Arab Bank on the take-over, he expressed his desire to remain as part of Sun Bank for a long time.

As an important entrepreneur in Hong Kong, Fung has invested a huge sum of his own private funds in the bank's stocks and assumed a heavy responsibility even after the joint Sino-British statement on the Hong Kong question was signed. This was how Fung expressed with actual deeds his confidence in Hong Kong's future.

Acceleration of Sun Hung Kai's Reorganization

Sun Hung Kai Company Ltd's sale of Sun Bank, as Tsai ai Weilin [transliterated], executive president of the company, said, is one of the measures of business reorganization by the group. However, in view of what he did at the end of January this year when Merrill Lynch and [Pelletier] were considering the reduction of their share-holdings in Sun Hung Kai Company Ltd and selling out their interests in the Television Broadcasting Company Ltd even earlier, it is generally believed that the sale of Sun Bank is an important step taken by Sun Hung Kai Company Ltd in the reform of the share-rights structure and in a personnel reshuffle. In fact, after selling Sun Bank, the stock of Sun Hung Kai Company Ltd were withheld from the market "pending the result of discussion of the share-holders' proposal which may lead to an outright purchase."

At this time of writing, there is still no news of Sun Hung Kai's reorganization. However, according to speculation in various quarters, the outcome of the reorganization would probably be as follows: Fung King Hey will be in charge of Sun Hung Kai Group once again (at least with his holding increased and the possibility of an outright purchase); Merrill Lynch may reduce its holdings and there is a slight possibility that it may withdraw from partnership; and [Pelletier] will most probably abandon its undertakings in Sun Hung Kai.

As the situation now stands, the outcome of the reorganization in either case will be advantageous to all concerned. Fung's return to his important position will be beyond question, while Merrill Lynch and Banque [Pelletier], either reducing their holdings or withdrawing from the scenes altogether will be able to concentrate their resources on the promotion of their other ventures in Hong Kong. Sun Hung Kai Group itself, after being relieved of the burden of Sun Bank and under the management of its founder, will be able to bring into play its strong points in commercial banking, stock brokerage, China trade and other financial operations.

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